

EXECUTIVE SUMMARY

The Statewide Single Audit of the Commonwealth of Kentucky For the Year Ended June 30, 2000

BACKGROUND: The Single Audit Act of 1984, subsequent amendments, and corresponding regulations, require the auditing of financial statements and the compliance and internal controls applicable to federal moneys received by the Commonwealth.

EXPENDITURES: 45 state agencies expended federal awards in the following manner:

- \$4,578,978,051 in cash from 22 federal grantors
- \$ 507,694,328 in non-cash grants (i.e., food stamps)

FINDINGS:

Financial Statement Accounts

Unqualified opinion

Compliance:

One (1) instance of noncompliance.

Internal Control Over Financial Reporting:

Eleven (11) reportable conditions, two (2) of which are material weaknesses.

Federal Awards and Schedule of Expenditures of Federal Awards *Unqualified opinion*

Compliance:

Three (3) instances of noncompliance.

Internal Control Over Compliance:

Fourteen (14) reportable conditions, none of which are material weaknesses.

Schedule of Expenditures of Federal Awards

Qualified opinion

The three (3) instances of noncompliance are also internal control over compliance findings.

GENERAL TOPICS OF REPORTABLE CONDITIONS:

- Inaccurate, incomplete transaction documentation
- Inadequate technology procedures, policies, and security
- Noncompliance with federal and state laws and regulations

Agencies With

Reportable Conditions:

Cabinet for Families and Children
Finance and Administration Cabinet
Governor's Office for Technology
Cabinet for Health Services
Office of the Kentucky State Treasurer
Cabinet for Workforce Development

Agencies With

Noncompliances:

Cabinet for Families and Children
Finance and Administration Cabinet
Cabinet for Workforce Development



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

August 15, 2001

To the People of Kentucky
The Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet

As Auditor of Public Accounts, I am pleased to transmit herewith our report of the Statewide Single Audit of the Commonwealth of Kentucky for the year ended June 30, 2000. This report contains our independent auditor's report on the Commonwealth's supplementary Schedules of Expenditures of Federal Awards and our reports on the Commonwealth's compliance with laws and regulations and on internal control over financial reporting and compliance. Accompanying this report is the Commonwealth's Comprehensive Annual Financial Report, which contains our independent auditor's report on the Commonwealth's general-purpose financial statements issued February 28, 2001.

On behalf of the Division of Financial Audit of the Auditor of Public Account's Office, I wish to thank the employees of the Commonwealth for their cooperation during the course of our audit. Should you have any questions concerning this report, please contact Charlene Daniels, Director, Division of Financial Audit, or me.

Respectfully submitted,

A handwritten signature in cursive script, reading "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts



**REPORT OF THE STATEWIDE SINGLE AUDIT
OF THE
COMMONWEALTH OF KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2000**

**EDWARD B. HATCHETT, JR.
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INTRODUCTION

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2000**

Introduction

The Auditor of Public Accounts (APA), acting as principal auditor in conjunction with various certified public accounting firms, annually performs a statewide single audit of the Commonwealth of Kentucky. This audit allows the Commonwealth to comply with federal audit requirements as set forth in the Single Audit Act of 1984, as amended by Public Law 104-156, and the regulations contained in the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Using This Report

The reporting package includes the Financial Statements, Schedule of Expenditures of Federal Awards, Summary Schedule of Prior Audit Findings, Auditor's Reports, and Corrective Action Plans. For the year ended June 30, 2000, the Single Audit Report is presented in two volumes. The Comprehensive Annual Financial Report (CAFR), which contains the general-purpose financial statements and the auditor's report thereon, dated February 28, 2001, has been issued under separate cover. The CAFR contains an Introductory Section, which discusses the component units and discretely presented component units of the Commonwealth, the economic conditions and outlook for the Commonwealth, the major initiatives authorized by the state legislature, and financial analysis of revenues and expenditures on a budgetary and a GAAP basis. Debt administration, cash management, risk management, capital projects, proprietary funds, pension trust fund, university and college funds, and general fixed asset policies are also discussed in the Introductory Section of the CAFR. The Introductory Section of the CAFR is followed by the Commonwealth's Financial Statements, Notes to the Financial Statements, and a Statistical Section.

The Single Audit Report, the second volume, contains the auditor's reports on compliance and internal control over financial reporting and compliance and internal control over compliance with requirements applicable to major federal programs and on the Schedule of Expenditures of Federal Awards. The Single Audit Report also contains the Schedule of Expenditures of Federal Awards, Schedule of Findings and Questioned Costs (including Summary of Auditor's Results, Financial Statement Findings and Questioned Costs, and Federal Award Findings and Questioned Costs), and the Summary Schedule of Prior Audit Findings. The corrective action plans for current year findings are reported in the Schedule of Findings and Questioned Costs.

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Schedule of Expenditures of Federal Awards

This report contains two Schedules of Expenditures of Federal Awards, which are identical except for the way they are organized. The first is organized by federal grantor (CFDA number) and the second is organized by the state agency expending the federal funds. The Notes to the Schedule of Expenditures of Federal Awards provide more detailed information on certain aspects of the expenditures, such as the amount given to subrecipients.

Since not all state agencies use the Management Administrative Reporting System (MARS) Subsystems for Projects, the APA requested all state agencies (excluding state universities) to prepare worksheets of federal financial assistance, both cash and non-cash. The source of these worksheets included MARS, agency accounting systems, agency manual records, etc. The agencies were also asked to reconcile the worksheets to MARS and to federal grantor reports. These worksheets were compiled into the accompanying Schedule of Expenditures of Federal Awards.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs consists of three sections:

- The Summary of Auditor's Results,
- Findings related to financial statements (required to be reported in accordance with *Government Auditing Standards*), and
- Findings and questioned costs for federal awards.

Each audit finding number and the audit finding's classification (as reportable or material) is provided as part of the audit opinion summary. Major programs audited are listed on the Summary of Auditor's Results. The second part is the Financial Statement Findings and Questioned Costs. This part lists all of the audit findings related to the financial statements. The third part, the Federal Award Findings and Questioned Costs, lists all findings related to federal awards. Generally, the state agency, CFDA number and program, federal agency, pass-through agency, and the compliance area the finding relates to are presented. In both parts two and three, reportable conditions and reportable instances of noncompliance are presented first, then material weaknesses and material instances of noncompliance.

Summary Schedule of Prior Audit Findings

Audit findings reported in the Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 1999 (as well as any previous findings which have not been resolved) are reported in the agency's Summary Schedule of Prior Audit Findings for the

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Summary Schedule of Prior Audit Findings (Continued)

fiscal year ended June 30, 2000. If the APA determines the agency's Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit finding, a new audit finding is issued and reported in the Schedule of Findings and Questioned Costs.

The Summary Schedule of Prior Audit Findings is organized based on whether the prior year finding was reportable or material. The findings of each classification (reportable and material) are categorized as (1) fully corrected, (2) not corrected or partially corrected, (3) corrective action taken differs significantly from corrective action previously reported, or (4) finding no longer valid or does not warrant further action. If a finding has been reclassified from material to reportable, for instance, the finding will appear in the material finding section of the Summary schedule and the comment will indicate the reclassification. In the following year, the finding will appear in the reportable section of the Summary schedule.

Audit Approach

Our audit was conducted in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, *Government Auditing Standards* (also referred to as the Yellow Book), and generally accepted auditing standards. The scope of the statewide single audit for the year ended June 30, 2000, included:

- An audit of the general-purpose financial statements and required supplementary schedules in accordance with generally accepted government auditing standards;
- An audit of supplementary Schedule of Expenditures of Federal Awards (excluding state universities, as discussed below) in accordance with generally accepted government auditing standards;
- An audit of the internal control applicable to the Commonwealth's organizational units and administrative bodies, to the extent necessary to consider and test the internal accounting and administrative control systems as required; and

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Audit Approach (Continued)

- A selection and testing of transactions and records relating to each major federal financial assistance program to obtain reasonable assurance that the Commonwealth administers its major federal financial assistance programs in compliance with laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures or on the Commonwealth's general-purpose financial statements.

The APA's office conducted the audit of internal controls, focusing on the following objectives:

- Considering the internal control in order to determine auditing procedures on the general-purpose financial statements of the Commonwealth.
- Determining if the Commonwealth has internal controls to provide reasonable assurance that it is managing the federal assistance programs in compliance with applicable laws and regulations.

Status of State Universities

The Single Audit Act Amendments permit the single audit to cover the entire operations of the entity or include a series of audits covering departments, agencies, or other organizational units expending federal awards. The agencies audited as part of the Statewide Single Audit of the Commonwealth of Kentucky are listed in Appendix 1. The Commonwealth has elected to exclude state universities from the statewide single audit, except as part of the audit of the general-purpose financial statements. Thus, state universities are not included in the accompanying Schedule of Expenditures of Federal Awards and reports on internal control and compliance. It should be noted, however, that state universities are still required to have audits made in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Contacting the Commonwealth

If additional copies of the Statewide Single Audit of the Commonwealth of Kentucky are required, please contact Mona Logsdon, Open Records Administrator, with the APA's Office at (502) 564-5841 or mlogsdon@kyauditor.net. If copies of the CAFR for the fiscal year ended June 30, 2000 are required, please contact T. Kevin Flanery, Finance and Administration Cabinet Secretary, at (502) 564-4240.

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

List Of Abbreviations/Acronyms Used In This Report

AIDS	Acquired Immunodeficiency Virus Syndrome
AFR	Annual Financial Report
AMA	Account Management Agent
AMLR	Abandoned Mine Land Reclamation
APA	Auditor of Public Accounts
ASAP	Automated Standard Application for Payments
C1	Cash Receipt Document
C&I	Cash and Investments
CAFR	Comprehensive Annual Financial Report
CAMRA	Complete Asset Management Reporting and Accounting System
CAP-SSSE	Community Assistance Program-State Support Services Element
CCDF	Child Care Development Fund
CDP	Custom Data Processing, Inc.
CFC	Cabinet for Families and Children
CFR	Code of Federal Regulations
CFDA	Catalog of Federal Domestic Assistance
CHS	Cabinet for Health Services
CICS	Customer Information Control System
CMHC	Community Mental Health Centers
CMIA	Cash Management Improvement Act of 1990
COE	U.S. Army Corp of Engineers
Commonwealth	Commonwealth of Kentucky
CRC	Customer Resource Center
CSBDC	Commonwealth Small Business Development Corporation
CUSIP	Committee on Uniform Securities Identification Procedures
CWD	Cabinet for Workforce Development
DCBS	Department for Community Based Services
DES	Department of Employment Services
DIS	Department of Information Systems
DMH/MR	Department for Mental Health and Mental Retardation
DMS	Department of Medicaid Services
DOL	U.S. Department of Labor
DRP	Drug Rebate Program
DTR	Department for Training and Reemployment
DVOP	Disabled Veterans' Outreach Program
EBT	Electronic Benefits Transfer

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

List Of Abbreviations/Acronyms Used In This Report (Continued)

EDGE	The software system at eFunds Corporation used to transfer electronic benefit authorization for the food stamps program.
EKCCC	Eastern Kentucky Child Care Coalition
EPA	Environmental Protection Agency
ETA	Employment and Training Administration
FAC	Finance and Administration Cabinet
FAS	Financial Accounting System
FDA	Food and Drug Administration
FFA	Federal Financial Assistance
FFY	Federal Fiscal Year
FHA/VA	United States Farmers' Home Administration/Veterans' Administration
FMNP	Farmers' Market Nutrition Program
FNS	Food and Nutrition Services
FY	Fiscal Year
FYE	Fiscal Year Ended
GAAP	Generally Accepted Accounting Principles
GOT	Governor's Office for Technology
GUI	Graphical User Interface System
HCFA	Health Care Financing Administration
HIV	Human Immunodeficiency Virus
HUD	U.S. Department of Housing and Urban Development
ICF/MR/DD	Intermediate Care Facility/Mental Retardation/Developmentally Disabled
IFLOWS	Integrated Flood Observing and Warning System
JTPA	Job Training Partnership Act
JV	Journal Voucher Document
KAMES	Kentucky Automated Management and Eligibility System
KAPS	Kentucky Automated Purchasing System
KAR	Kentucky Administrative Regulation
KASES	Kentucky Automated Support and Enforcement System
KCA	Kentucky Automated Claims System
KCCMS	Kentucky Child Care Management System
KCL	Kentucky Claims Initiative
KD&A	Knowledge Development and Application
KEWES	Kentucky Electronic Workplace for Employment Services
KMAP	Kentucky Medical Assistance Program
KRS	Kentucky Revised Statutes
KSFB	Kentucky State Fair Board

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

List Of Abbreviations/Acronyms Used In This Report (Continued)

KST	Office of the Kentucky State Treasurer
KTOS	Department Treatment Outcome Study
KY	Kentucky
LLMA	Local Labor Market Area
LWIA	Local Workforce Investment Areas
L&R	Division of Licensing and Regulation
MA	Department of Military Affairs
MAP	Medical Assistance Program
MARS	Management Administrative Reporting System
MMIS	Medical Management Information System
MRDB	Management Reporting Database
MWI	Manual Warrant Investment Purchase Document
NA	Not Applicable
NCKC	North Central Kentucky Council
NDC	National Drug Code
NCHIP	National Criminal History Improvement Program
OADES	Optical Character Recognition-Assisted Data Entry System
OBRA	Omnibus Budget Reconciliation Act
OFM	Office of Financial Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Performance Enhancement
OTR	Office of Training and Reemployment
OTRFMG	Office of Training and Reemployment Financial Management Guide
OTS	Office of Technology Services
PATH	Projects for Assistance in Transition from Homelessness
PD	Procurement Desktop
PDS	Prevention Data Set
PERS	Personnel Cabinet
PIN	Personal Identification Number
PRO	Peer Review Organization
REV	Kentucky Revenue Cabinet
RPC	Regional Prevention Centers
RUMBA	The part of the Medical Management Information System which records provider data.
SA	Division of Substance Abuse
SARA	Superfund Amendment and Reauthorization Act
SAPT	Substance Abuse Prevention and Treatment

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

List Of Abbreviations/Acronyms Used In This Report (Continued)

SBA	Small Business Administration
SBOP	Kentucky State Board of Pharmacy
SCUF	Service Capacity Upgrade Fund
SDA	Service Delivery Area
SFY	State Fiscal Year
SNF	Skilled Nursing Facility
SSI	Supplemental Security Insurance
SSN	Social Security Number
SSWAK	Statewide Single Audit of the Commonwealth of Kentucky
STARS	Statewide Accounting and Reporting System
TANF	Temporary Assistance for Needy Families
TC	Transportation Cabinet
Tier	Tier Technologies
TSCA	Toxic Substances Control Act
TSA	Treasury-State Agreement
UI	Division of Unemployment Insurance
UNISYS	The corporation under contract with CHS to process Medicaid Claims.
U.S.	United States
USC	United States Code
USDA	United States Department of Agriculture
WFDC	Workforce Development Cabinet
WIA	Workforce Investment Act
WIC	Women, Infants, and Children Program
ZBA	Zero Balance Accounting
ZBA-ACH	Zero Balance Accounting – Account ClearingHouse

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
10.025 Plant and Animal Disease, Pest Control, and Animal Care	NA	Department of Agriculture	\$ 32,448	
10.064 Forestry Incentives Program	NA	Natural Resources and Environmental Protection Cabinet	2,056	
10.069 Conservation Reserve Program	NA	Natural Resources and Environmental Protection Cabinet	8,067	
10.153 Market News (Note 14)	NA	Department of Agriculture		
10.156 Federal-State Marketing Improvement Program	NA	Department of Agriculture	65,000	
10.162 Inspection Grading and Standardization	NA	Department of Agriculture	2,364	
10.163 Market Protection and Promotion	NA	Department of Agriculture	52,643	
10.550 Food Distribution (Note 9) (Note 13)	NA	Department of Agriculture		\$ 12,176,992
10.551 Food Stamps (Note 2) (Note 4) (Note 13)	NA	Cabinet for Families and Children		337,767,068
10.553 School Breakfast Program (Note 2) (Note 9)	NA	Department of Education	30,065,488	
10.555 National School Lunch Program (Note 2) (Note 9)	NA	Department of Education	95,202,190	
10.556 Special Milk Program for Children (Note 2) (Note 9)	NA	Department of Education	74,706	
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2) (Note 9)	NA	Cabinet for Health Services	82,628,276	
10.558 Child and Adult Care Food Program (Note 2) (Note 9)	NA	Department of Education	22,635,698	
10.559 Summer Food Service Program for Children (Note 2) (Note 9)	NA	Department of Education	2,845,436	
10.560 State Administrative Expenses for Child Nutrition	NA	Department of Agriculture	118,907	
10.560 State Administrative Expenses for Child Nutrition	NA	Department of Education	1,594,648	
10.561 State Administrative Matching Grants for Food Stamp Program (Note 2) (Note 9)	NA	Cabinet for Families and Children	27,124,160	
10.564 Nutrition Education and Training Program	NA	Department of Education	34,005	
10.565 Commodity Supplemental Food Program (Note 4) (Note 13)	NA	Department of Agriculture	235,322	1,036,529
10.568 Emergency Food Assistance Program (Administrative Costs)	NA	Department of Agriculture	756,405	
10.569 Emergency Food Assistance Program (Food Commodities) (Note 13)	NA	Department of Agriculture		3,215,846
10.570 Nutrition Program for the Elderly (Commodities) (Note 9)	NA	Cabinet for Health Services	1,813,041	
10.572 WIC Farmers' Market Nutrition Program (FMNP) (Note 12)	NA	Department of Agriculture	79,780	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Agriculture (Continued)</u>				
Direct Programs (Continued):				
10.652 Forestry Research	NA	Natural Resources and Environmental Protection Cabinet	200,670	
10.664 Cooperative Forestry Assistance (Note 9) (Note 13)	NA	Natural Resources and Environmental Protection Cabinet	1,251,680	3,711,090
10.769 Rural Development Grants	NA	Department of Agriculture	2,826	
10.769 Rural Development Grants (Note 9)	NA	Department for Local Government	100,000	
10.901 Resource Conservation and Development	NA	Natural Resources and Environmental Protection Cabinet	700	
10.912 Environmental Quality Incentives Program	NA	Natural Resources and Environmental Protection Cabinet	14,889	
10.913 Farmland Protection Program	NA	Department of Agriculture	456,490	
10.914 Wildlife Habitat Incentive Program	NA	Department of Fish and Wildlife Resources	56,135	
NA Kentucky Demonstration (Note 14)	NA	Department of Education		
NA Rural Rehabilitation Student Loan Program (Note 3a)	NA	Department of Agriculture	128,452	
NA Section 319 Nonpoint Source Project (Note 13)	NA	Natural Resources and Environmental Protection Cabinet		43,228
Passed Through From Department of Agriculture:				
10.550 Food Distribution (Note 13)	NA	Department of Corrections		52,321
Passed Through From Department of Education:				
10.553 School Breakfast Program (Note 2)	3F9299, 3N10309	Department of Juvenile Justice	256,416	
10.555 National School Lunch Program (Note 2)	3F9299, 3N10309	Department of Juvenile Justice	416,576	
Passed Through From Cabinet for Families and Children:				
10.561 State Administrative Matching Grants for Food Stamp Program (Note 2)	F93404, F03404	Office of the Attorney General	350,542	
10.561 State Administrative Matching Grants for Food Stamp Program (Note 2)	NA	Cabinet for Health Services	167,999	
Passed Through From Cabinet for Health Services:				
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	3KY700703	Cabinet for Families and Children	5,259	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Agriculture (Continued)</u>				
Passed Through From the Kentucky Center for Cooperative Development:				
10.771 Rural Cooperative Development Grants	NA	Department of Agriculture	4,980	
Subtotal U.S. Department of Agriculture			268,784,254	358,003,074
<u>U.S. Department of Commerce</u>				
Direct Programs:				
11.307 Economic Adjustment Assistance (Note 3d)	NA	Department for Local Government	450	
11.450 Integrated Flood Observing and Warning System (IFLOWS)	NA	Department of Military Affairs	65,278	
11.550 Public Telecommunications Facilities - Planning and Construction (Note 2)	NA	Kentucky Educational Television	659,935	
Subtotal U.S. Department of Commerce			725,663	
<u>U.S. Department of Defense</u>				
Direct Programs:				
12.002 Procurement Technical Assistance for Business Firms	NA	Department of Community Development	159,041	
12.113 State Memorandum of Agreement Program for the Reimbursement of Technical Services (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	370,347	
NA Chemical Demilitarization and Remediation Activity for Hazardous Waste Activities at Chemical Demilitarization Facilities	NA	Natural Resources and Environmental Protection Cabinet	23,740	
NA Teacher and Teacher's Aide Placement Assistance Program	NA	Department of Education	73,963	
Subtotal U.S. Department of Defense			627,091	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
14.182 Lower Income Housing Assistance Program - Section 8 New Construction/Substantial Rehabilitation (Note 2)	NA	Kentucky Housing Corporation	56,356,473	
14.185 Homeownership and Opportunity for People Everywhere	NA	Kentucky Housing Corporation	30,756	
14.227 Community Development Block Grants/Special Purpose Grants/Technical Assistance Program (Note 14)	NA	Department for Local Government		
14.228 Community Development Block Grants/State's Program (Note 2) (Note 9) (Note 10)	NA	Department for Local Government	29,524,346	
14.230 Rental Housing Rehabilitation (Note 14)	NA	Department for Local Government		
14.231 Emergency Shelter Grants Program (Note 9)	NA	Kentucky Housing Corporation	1,349,459	
14.231 Emergency Shelter Grants Program (Note 14)	NA	Department for Local Government		
14.235 Supportive Housing Program	NA	Kentucky Housing Corporation	2,782,292	
14.238 Shelter Plus Care	NA	Kentucky Housing Corporation	191,550	
14.239 HOME Investment Partnerships Program (Note 2) (Note 9)	NA	Kentucky Housing Corporation	13,752,507	
14.241 Housing Opportunities for Persons with AIDS (Note 9)	NA	Kentucky Housing Corporation	954,570	
14.401 Fair Housing Assistance Program - State and Local	NA	Kentucky Commission on Human Rights	151,901	
14.408 Fair Housing Initiatives and Administrative Enforcement Initiative Program	NA	Kentucky Commission on Human Rights	50,000	
14.855 Section 8 Rental Voucher Program (Note 2)	NA	Kentucky Housing Corporation	2,693,544	
14.856 Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (Note 2)	NA	Kentucky Housing Corporation	913,578	
14.857 Section 8 Rental Certificate Program (Note 2)	NA	Kentucky Housing Corporation	5,172,616	
14.871 Section 8 Housing Choice Vouchers (Note 2)	NA	Kentucky Housing Corporation	4,586,304	
NA FHA/VA Insured Loans (Note 2) (Note 3g) (Note 13)	NA	Kentucky Housing Corporation		114,554,476
NA HUD Disaster Recovery Initiative (Note 9)	NA	Department for Local Government	537,613	
Subtotal U.S. Department of Housing and Urban Development			119,047,509	114,554,476

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title		Pass- Through Grantor's #	State Agency	Expenditures	
				Cash	Non-Cash
<u>U.S. Department of the Interior</u>					
Direct Programs:					
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining (Note 9) (Note 13)	NA	Natural Resources and Environmental Protection Cabinet	12,487,989	60,390
15.252	Abandoned Mine Land Reclamation (AMLR) Program (Note 2) (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	14,568,358	
15.605	Sport Fish Restoration	NA	Department of Fish and Wildlife Resources	6,360,904	
15.611	Wildlife Restoration (Note 11)	NA	Department of Fish and Wildlife Resources	2,218,417	
15.615	Cooperative Endangered Species Conservation Fund	NA	Department of Fish and Wildlife Resources	77,984	
15.615	Cooperative Endangered Species Conservation Fund	NA	Natural Resources and Environmental Protection Cabinet	23,102	
15.616	Clean Vessel Act	NA	Department of Fish and Wildlife Resources	33,839	
15.617	Wildlife Conservation and Appreciation	NA	Department of Fish and Wildlife Resources	73,000	
15.810	National Cooperative Geologic Mapping Program	NA	Department of Fish and Wildlife Resources	206,830	
15.904	Historic Preservation Fund Grants-In-Aid (Note 9)	NA	Kentucky Heritage Council	882,571	
15.916	Outdoor Recreation - Acquisition, Development and Planning (Note 7) (Note 9)	NA	Department for Local Government	30,936	
NA	Joint Funding Agreements for Water Resources Investigations (Note 13)	NA	Natural Resources and Environmental Protection Cabinet		178,760
Subtotal U.S. Department of the Interior				36,963,930	239,150
<u>U.S. Department of Justice</u>					
Direct Programs:					
16.523	Juvenile Accountability Incentive Block Grants (Note 9)	NA	Department of Juvenile Justice	1,087,968	
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States (Note 9)	NA	Department of Juvenile Justice	186,093	
16.542	National Institute for Juvenile Justice and Delinquency Prevention (Note 9)	NA	Department of Juvenile Justice	92,160	
16.548	Title V - Delinquency Prevention Program (Note 9)	NA	Department of Juvenile Justice	161,382	
16.549	Part E - State Challenge Activities (Note 9)	NA	Department of Juvenile Justice	28,124	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Justice (Continued)</u>				
Direct Programs (Continued):				
16.550 State Justice Statistics Program for Statistical Analysis Centers	NA	Office of the Attorney General	20,471	
16.554 National Criminal History Improvement Program (NCHIP) (Note 9) (Note 14)	NA	Justice Cabinet - Office of the Secretary		
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants	NA	Department of State Police	169,023	
16.575 Crime Victim Assistance (Note 9)	NA	Justice Cabinet - Office of the Secretary	3,760,399	
16.576 Crime Victim Compensation	NA	Crime Victims Compensation Board	350,701	
16.579 Byrne Formula Grant Program (Note 9)	NA	Justice Cabinet - Office of the Secretary	2,661,755	
16.580 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	NA	Department of Corrections	2,575,149	
16.580 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	NA	Department of State Police	96,871	
16.582 Crime Victim Assistance/Discretionary Grants	NA	Office of the Attorney General	5,030	
16.585 Drug Court Discretionary Grant Program	NA	Administrative Office of the Courts	350,456	
16.586 Violent Offender Incarceration and Truth in Sentencing Incentive Grants (Note 9)	NA	Justice Cabinet - Office of the Secretary	24,016	
16.588 Violence Against Women Formula Grants (Note 9)	NA	Justice Cabinet - Office of the Secretary	1,692,467	
16.589 Rural Domestic Violence and Child Victimization Enforcement Grant Program (Note 9)	NA	Justice Cabinet - Office of the Secretary	80,067	
16.592 Local Law Enforcement Block Grants Program (Note 9)	NA	Justice Cabinet - Office of the Secretary	484,637	
16.593 Residential Substance Abuse Treatment for State Prisoners (Note 9) (Note 14)	NA	Justice Cabinet - Office of the Secretary		
16.598 State Identification Systems Grant Program (Note 9) (Note 14)	NA	Justice Cabinet - Office of the Secretary		
16.606 State Criminal Alien Assistance Program	NA	Department of Corrections	142,464	
16.607 Bulletproof Vest Partnership Program (Note 9)	NA	Justice Cabinet - Office of the Secretary	10,442	
16.607 Bulletproof Vest Partnership Program (Note 14)	NA	Department of State Police		
16.712 Police Corps	NA	Department of Criminal Justice Training	125,207	
16.727 Enforcing Underage Drinking Laws Program (Note 9)	NA	Department of State Police	55,567	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title		Pass- Through Grantor's #	State Agency	Expenditures	
				Cash	Non-Cash
<u>U.S. Department of Justice (Continued)</u>					
Direct Programs (Continued):					
NA	Drug Enforcement Administration	NA	Department of State Police	1,552,665	
Passed Through From Eastern Kentucky University:					
16.710	Police Safety Partnership and Community Policing Grants	97-CK-WX-0021	Department of Criminal Justice Training	36,193	
Passed Through From Justice Cabinet - Office of the Secretary:					
16.554	National Criminal History Improvement Program (NCHIP)	96-RU-RX-K001	Department of Corrections	383,710	
16.554	National Criminal History Improvement Program (NCHIP)	98-NR-CX-K044, 96-RU-RX-K001	Department of State Police	369,315	
16.575	Crime Victim Assistance	Various	Unified Prosecutorial System	539,750	
16.579	Byrne Formula Grant Program	Various	Administrative Office of the Courts	938,784	
16.579	Byrne Formula Grant Program	Various	Office of the Attorney General	100,132	
16.579	Byrne Formula Grant Program	Various	Department of Corrections	507,830	
16.579	Byrne Formula Grant Program	NA	Cabinet for Health Services	104,860	
16.579	Byrne Formula Grant Program (Note 9)	Various	Department of Juvenile Justice	186,478	
16.579	Byrne Formula Grant Program	99-DB-CX-0021	Department of Public Advocacy	33,830	
16.579	Byrne Formula Grant Program	Various	Department of State Police	1,119,858	
16.579	Byrne Formula Grant Program	5946-N18-3/99	Unified Prosecutorial System	76,404	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	5737-VOI-01/96, 6063-VOI-01/96	Department of Corrections	110,941	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	5728-VOI-1/96, 5730-VOI-1/96, 6114-VOI-1/96	Department of Juvenile Justice	1,966,398	
16.588	Violence Against Women Formula Grants	6107-VA2-4/99, 5900-VA2-3/98	Office of the Attorney General	66,270	
16.588	Violence Against Women Formula Grants	Various	Unified Prosecutorial System	182,105	
16.592	Local Law Enforcement Block Grants Program	98-LB-VX-0024	Department of Corrections	6,808	
16.592	Local Law Enforcement Block Grants Program	98-LB-VX-0024	Department of Criminal Justice Training	3,821	
16.592	Local Law Enforcement Block Grants Program	98-LB-VX-0024	Department of Juvenile Justice	6,489	
16.592	Local Law Enforcement Block Grants Program	Various	Department of State Police	686,216	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Justice (Continued)</u>				
Passed Through From Justice Cabinet - Office of the Secretary (Continued):				
16.593 Residential Substance Abuse Treatment for State Prisoners	99-RT-NX-0021, 98-RT-NX-0021	Department of Corrections	659,592	
16.598 State Identification Systems Grant Program	99-SY-BX-0021, 98-SY-BX-0021	Department of State Police	194,711	
16.607 Bulletproof Vest Partnership Program	NA	Department of Fish and Wildlife Resources	64,534	
Passed Through From Department of Juvenile Justice:				
16.523 Juvenile Accountability Incentive Block Grants	98-JB-VX-0021	Administrative Office of the Courts	45,404	
16.523 Juvenile Accountability Incentive Block Grants (Note 14)	98-JB-VX-0021	Department of Public Advocacy		
16.523 Juvenile Accountability Incentive Block Grants	98-JB-VX-0021	Unified Prosecutorial System	29,008	
16.540 Juvenile Justice and Delinquency Prevention - Allocation to States	99-JF-FX-0721	Administrative Office of the Courts	13,295	
Subtotal U.S. Department of Justice			24,145,850	
<u>U.S. Department of Labor</u>				
Direct Programs:				
17.002 Labor Force Statistics	NA	Cabinet for Workforce Development	770,726	
17.005 Compensation and Working Conditions	NA	Labor Cabinet	123,084	
17.203 Labor Certification for Alien Workers	NA	Cabinet for Workforce Development	345,740	
17.207 Employment Service (Note 9)	NA	Cabinet for Workforce Development	11,541,001	
17.225 Unemployment Insurance (Note 2) (Note 5) (Note 9)	NA	Cabinet for Workforce Development	278,866,096	
17.235 Senior Community Service Employment Program (Note 9)	NA	Cabinet for Health Services	1,618,611	
17.245 Trade Adjustment Assistance - Workers	NA	Cabinet for Workforce Development	8,109,312	
17.246 Employment and Training Assistance - Dislocated Workers (Note 2) (Note 9)	NA	Cabinet for Workforce Development	6,976,868	
17.249 Employment Services and Job Training Pilots - Demonstrations and Research (Note 9)	NA	Cabinet for Workforce Development	365,359	
17.250 Job Training Partnership Act (Note 2) (Note 9)	NA	Cabinet for Workforce Development	24,262,993	
17.253 Welfare-to-Work Grants to States and Localities (Note 9)	NA	Cabinet for Families and Children	5,252,564	
17.503 Occupational Safety and Health - State Program	NA	Labor Cabinet	3,008,674	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Labor (Continued)</u>				
Direct Programs (Continued):				
17.504	Consultation Agreements	NA	Labor Cabinet	20,208
17.600	Mine Health and Safety Grants	NA	Department of Mines and Minerals	588,012
17.801	Disabled Veterans' Outreach Program (DVOP)	NA	Cabinet for Workforce Development	704,812
17.804	Local Veterans' Employment Representative Program	NA	Cabinet for Workforce Development	865,250
NA	National Occupational Information Coordinating Committee	NA	Cabinet for Workforce Development	151,510
Passed Through From Cabinet for Families and Children:				
17.253	Welfare-to-Work Grants to States and Localities	NA	Cabinet for Health Services	171
17.253	Welfare-to-Work Grants to States and Localities (Note 14)	NA	Cabinet for Workforce Development	
Passed Through From Cabinet for Workforce Development:				
17.250	Job Training Partnership Act (Note 2) (Note 9)	NA	Department of Education	481,042
Subtotal U.S. Department of Labor				344,052,033
<u>U.S. Department of Transportation</u>				
Direct Programs:				
20.005	Boating Safety Financial Assistance	NA	Department of Fish and Wildlife Resources	537,604
20.106	Airport Improvement Program (Note 14)	NA	Transportation Cabinet	
20.205	Highway Planning and Construction (Note 2) (Note 6)	NA	Transportation Cabinet	517,340,829
20.218	National Motor Carrier Safety	NA	Transportation Cabinet	2,156,532
20.219	Recreational Trails Program (Note 9)	NA	Department for Local Government	270,090
20.308	Local Rail Freight Assistance (Note 14)	NA	Transportation Cabinet	
20.505	Federal Transit - Metropolitan Planning Grants (Note 9)	NA	Transportation Cabinet	283,688
20.507	Federal Transit - Formula Grants (Note 9)	NA	Transportation Cabinet	462,471
20.509	Formula Grants for Other Than Urbanized Areas (Note 9)	NA	Transportation Cabinet	4,305,006
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities (Note 9)	NA	Transportation Cabinet	995,615

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title		Pass- Through Grantor's #	State Agency	Expenditures	
				Cash	Non-Cash
<u>U.S. Department of Transportation (Continued)</u>					
Direct Programs (Continued):					
20.600	State and Community Highway Safety (Note 9)	NA	Department of State Police	2,926,818	
20.604	Safety Incentive Grants for Use of Seatbelts (Note 9)	NA	Department of State Police	26,116	
20.700	Pipeline Safety	NA	Public Service Commission	360,055	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	NA	Department of Military Affairs	55,031	
NA	Joint Federal/State Motor Fuel Tax Compliance Project	NA	Revenue Cabinet	35,047	
Passed Through From Department for Local Government:					
20.219	Recreational Trails Program	NA	Department of Fish and Wildlife Resources	5,346	
Passed Through From Department of State Police:					
20.600	State and Community Highway Safety	YA-99-02	Department of Alcoholic Beverage Control	118,523	
20.600	State and Community Highway Safety	PT-99-12	Department of Criminal Justice Training	42,045	
20.600	State and Community Highway Safety	Various	Transportation Cabinet	10,000	
20.600	State and Community Highway Safety	PS-99-02	Unified Prosecutorial System	3,233	
Subtotal U.S. Department of Transportation				529,934,049	
<u>U.S. Appalachian Regional Commission</u>					
Direct Programs:					
23.001	Appalachian Regional Development (Note 14)	NA	Department of Education		
23.001	Appalachian Regional Development (Note 3b)	NA	Department for Local Government	69,569	
23.002	Appalachian Area Development (Note 9)	NA	Department for Local Government	100,127	
23.005	Appalachian Housing Project Planning Loan, Technical Assistance Grant and Site Development and Off-Site Improvement Grant State Appalachian Housing Program (Note 14)	NA	Department for Local Government		
23.011	Appalachian State Research, Technical Assistance, and Demonstration Projects	NA	Department of Business Development	115,299	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Appalachian Regional Commission (Continued)</u>				
Direct Programs (Continued):				
23.011	Appalachian State Research, Technical Assistance, and Demonstration Projects (Note 9)	NA	Department for Local Government	283,019
NA	Regional Tourism Initiative	NA	Department of Travel	32,449
Passed Through From Department for Local Government:				
23.005	Appalachian Housing Project Planning Loan, Technical Assistance Grant and Site Development and Off-Site Improvement Grant - State Appalachian Housing Program	78-140	Kentucky Housing Corporation	983,395
Subtotal U.S. Appalachian Regional Commission			1,583,858	
<u>U.S. Equal Employment Opportunity Commission</u>				
Direct Program:				
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	NA	Kentucky Commission on Human Rights	51,079
Subtotal U.S. Equal Employment Opportunity Commission			51,079	
<u>U.S. General Services Administration</u>				
Direct Program:				
39.003	Donation of Federal Surplus Personal Property (Note 13)	NA	Finance and Administration Cabinet	750,514
Subtotal U.S. General Services Administration			750,514	
<u>U.S. National Foundation on the Arts and the Humanities</u>				
Direct Programs:				
45.015	Promotion of the Arts - Folk and Traditional Arts	NA	Kentucky Historical Society	7,101
45.025	Promotion of the Arts - Partnership Agreements (Note 9)	NA	Kentucky Arts Council	606,000

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. National Foundation on the Arts and the Humanities (Continued)</u>				
Direct Programs (Continued):				
45.026	Promotion of the Arts - Leadership Initiatives (Note 14)	NA	Kentucky Arts Council	
45.129	Promotion of the Humanities - Federal/State Partnership	NA	Kentucky Historical Society	18,253
45.149	Promotion of the Humanities - Division of Preservation and Access	NA	Kentucky Historical Society	3,724
45.310	State Library Program (Note 9)	NA	Department for Libraries and Archives	2,161,043
NA	National Endowment for the Arts (Note 14)	NA	Kentucky Educational Television	
Passed Through From Kentucky Arts Council :				
45.025	Promotion of the Arts - Partnership Agreements	NA	Kentucky Center for the Arts	5,000
Subtotal U.S. National Foundation on the Arts and the Humanities			2,801,121	
<u>U.S. Small Business Administration</u>				
Direct Programs:				
59.036	Certified Development Company Loans (503 Loans) (Note 2) (Note 3c) (Note 13)	NA	Commonwealth Small Business Development Corporation	679,296
59.041	Certified Development Company Loans (504 Loans) (Note 2) (Note 3c) (Note 13)	NA	Commonwealth Small Business Development Corporation	24,965,181
59.045	Natural Resource Development (Note 14)	NA	Natural Resources and Environmental Protection Cabinet	
Subtotal U.S. Small Business Administration				25,644,477
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
66.001	Air Pollution Control Program Support (Note 13)	NA	Natural Resources and Environmental Protection Cabinet	1,282,283
66.032	State Indoor Radon Grants (Note 9)	NA	Cabinet for Health Services	219,814
66.419	Water Pollution Control - State and Interstate Program Support (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	1,220,861
66.432	State Public Water System Supervision	NA	Natural Resources and Environmental Protection Cabinet	621,386

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Environmental Protection Agency (Continued)</u>				
Direct Programs (Continued):				
66.438 Construction Management Assistance	NA	Natural Resources and Environmental Protection Cabinet	323,527	
66.454 Water Quality Management Planning (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	154,059	
66.458 Capitalization Grants for State Revolving Funds (Note 2) (Note 3f) (Note 9)	NA	Kentucky Infrastructure Authority	12,415,782	
66.460 Nonpoint Source Implementation Grants	NA	Natural Resources and Environmental Protection Cabinet	1,283,165	
66.461 Wetlands Protection - Development Grants	NA	Department of Fish and Wildlife Resources	23,054	
66.461 Wetlands Protection - Development Grants (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	109,698	
66.463 National Pollutant Discharge Elimination System Related State Program Grants (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	128,031	
66.467 Wastewater Operator Training Grant Program (Technical Assistance)	NA	Natural Resources and Environmental Protection Cabinet	37,255	
66.468 Capitalization Grants for Drinking Water State Revolving Fund (Note 2) (Note 3f) (Note 9)	NA	Kentucky Infrastructure Authority	449,242	
66.470 Hardship Grants Program Rural Communities (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	491,419	
66.606 Surveys, Studies, Investigations and Special Purpose Grants	NA	Cabinet for Health Services	61,045	
66.606 Surveys, Studies, Investigations and Special Purpose Grants (Note 13)	NA	Natural Resources and Environmental Protection Cabinet	299,403	272,715
66.700 Consolidated Pesticide Enforcement Cooperative Agreements	NA	Department of Agriculture	606,635	
66.701 Toxic Substances Compliance Monitoring Cooperative Agreements	NA	Natural Resources and Environmental Protection Cabinet	131,709	
66.707 TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	NA	Cabinet for Health Services	342,202	
66.708 Pollution Prevention Grants Program (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	22,987	
66.801 Hazardous Waste Management State Program Support	NA	Natural Resources and Environmental Protection Cabinet	1,467,202	
66.802 Superfund State Site - Specific Cooperative Agreements	NA	Natural Resources and Environmental Protection Cabinet	191,695	
66.804 State and Tribal Underground Storage Tanks Program	NA	Natural Resources and Environmental Protection Cabinet	127,289	
66.805 Leaking Underground Storage Tank Trust Fund Program	NA	Natural Resources and Environmental Protection Cabinet	959,366	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Environmental Protection Agency (Continued)</u>				
Direct Programs (Continued):				
66.808 Solid Waste Management Assistance (Note 14)	NA	Natural Resources and Environmental Protection Cabinet		
66.809 Superfund State Core Program Cooperative Agreements	NA	Natural Resources and Environmental Protection Cabinet	325,680	
Passed Through From Kentucky Infrastructure Authority:				
66.458 Capitalization Grants for State Revolving Funds (Note 2)	NA	Natural Resources and Environmental Protection Cabinet	918,216	
66.468 Capitalization Grants for Drinking Water State Revolving Fund (Note 2)	NA	Natural Resources and Environmental Protection Cabinet	778,120	
Subtotal U.S. Environmental Protection Agency			<u>24,991,125</u>	<u>277,101</u>
<u>U.S. Department of Energy</u>				
Direct Programs:				
81.039 National Energy Information Center	NA	Natural Resources and Environmental Protection Cabinet	4,487	
81.041 State Energy Program (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	714,564	
81.042 Weatherization Assistance for Low-Income Persons (Note 9)	NA	Cabinet for Families and Children	2,295,992	
81.052 Energy Conservation for Institutional Buildings (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	51,013	
81.086 Conservation Research and Development	NA	Natural Resources and Environmental Protection Cabinet	64,936	
81.089 Fossil Energy Research and Development	NA	Department of Mines and Minerals	12,476	
81.502 Paducah Gaseous Diffusion Plant Environmental Monitoring and Oversight (Note 9)	NA	Natural Resources and Environmental Protection Cabinet	614,483	
Passed Through From Cabinet for Families and Children:				
81.042 Weatherization Assistance for Low-Income Persons	NA	Cabinet for Health Services	26,623	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Energy (Continued)</u>				
Passed Through From Natural Resources and Environmental Protection Cabinet:				
81.041 State Energy Program	Various	Transportation Cabinet	4,648	
81.502 Paducah Gaseous Diffusion Plant Environmental Monitoring and Oversight (Note 9)	DE-FG05- 910R21997	Cabinet for Health Services	414,049	
Passed Through From State of North Carolina Department of Commerce:				
81.041 State Energy Program	NA	Natural Resources and Environmental Protection Cabinet	14,905	
Subtotal U.S. Department of Energy			<u>4,218,176</u>	
<u>U.S. Federal Emergency Management Agency</u>				
Direct Programs:				
83.011 Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	NA	Department of Military Affairs	48,883	
83.012 Hazardous Materials Assistance Program (Note 14)	NA	Department of Military Affairs		
83.105 Community Assistance Program - State Support Services Element (CAP-SSSE) (Note 14)	NA	Department of Military Affairs		
83.505 State Disaster Preparedness Grants	NA	Department of Military Affairs	30,727	
83.534 Emergency Management - State and Local Assistance (Note 9)	NA	Department of Military Affairs	555,407	
83.535 Mitigation Assistance (Note 9)	NA	Department of Military Affairs	96,559	
83.539 Crisis Counseling	NA	Department of Military Affairs	63,786	
83.543 Individual and Family Grants	NA	Department of Military Affairs	1,093,540	
83.544 Public Assistance Grants (Note 9)	NA	Department of Military Affairs	8,431,569	
83.548 Hazard Mitigation Grant (Note 9)	NA	Department of Military Affairs	2,310,184	
83.549 Chemical Stockpile Emergency Preparedness Program (Note 9)	NA	Department of Military Affairs	2,103,791	
83.550 National Dam Safety Program (Note 14)	NA	Natural Resources and Environmental Protection Cabinet		
83.551 Project Impact - Building Disaster Resistant Communities (Note 9)	NA	Department of Military Affairs	36,470	
83.552 Emergency Management Performance Grants (Note 9)	NA	Department of Military Affairs	1,457,240	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Federal Emergency Management Agency (Continued)</u>				
Passed Through From Department of Military Affairs:				
83.105 Community Assistance Program - State Support Services Element (CAP-SSSE)	NA	Natural Resources and Environmental Protection Cabinet	52,990	
83.544 Public Assistance Grants	PA1163	Department of Parks	429,561	
83.544 Public Assistance Grants	PA1310	Department of State Police	9,071	
83.544 Public Assistance Grants	PA1163	Transportation Cabinet	9,684	
83.549 Chemical Stockpile Emergency Preparedness Program (Note 9)	NA	Cabinet for Health Services	107,554	
Subtotal U.S. Federal Emergency Management Agency			16,837,016	
<u>U.S. Department of Education</u>				
Direct Programs:				
84.002 Adult Education - State Grant Program (Note 9)	NA	Cabinet for Workforce Development	7,381,927	
84.010 Title I Grants to Local Educational Agencies (Note 2) (Note 9)	NA	Department of Education	131,122,306	
84.011 Migrant Education - Basic State Grant Program (Note 9)	NA	Department of Education	10,321,118	
84.013 Title I Program for Neglected and Delinquent Children (Note 9)	NA	Department of Education	8,570	
84.013 Title I Program for Neglected and Delinquent Children (Note 14)	NA	Cabinet for Families and Children		
84.023 Special Education - Innovation and Development (Note 9)	NA	Department of Education	167,022	
84.025 Services for Children with Deaf-Blindness (Note 9)	NA	Department of Education	216,352	
84.027 Special Education - Grants to States (Note 2) (Note 9)	NA	Department of Education	59,150,693	
84.029 Special Education - Personnel Development and Parent Training	NA	Department of Education	5,054	
84.032 Federal Family Education Loans (Note 2) (Note 3e)	NA	Kentucky Higher Education Assistance Authority	25,690,533	
84.032 Federal Family Education Loans (Note 2) (Note 3e)	NA	Kentucky Higher Education Student Loan Corporation	15,984,101	
84.048 Vocational Education - Basic Grants to States (Note 2) (Note 9)	NA	Cabinet for Workforce Development	9,394,256	
84.069 Leveraging Educational Assistance Partnership (Note 2)	NA	Kentucky Higher Education Assistance Authority	311,937	
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States (Note 2) (Note 9)	NA	Cabinet for Workforce Development	46,602,924	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title		Pass- Through Grantor's #	State Agency	Expenditures	
				Cash	Non-Cash
U.S. Department of Education (Continued)					
Direct Programs (Continued):					
84.161	Rehabilitation Services - Client Assistance Program	NA	Cabinet for Workforce Development	124,806	
84.162	Immigrant Education (Note 9)	NA	Department of Education	100,106	
84.169	Independent Living - State Grants (Note 9)	NA	Cabinet for Workforce Development	343,125	
84.173	Special Education - Preschool Grants (Note 2) (Note 9)	NA	Department of Education	10,407,982	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind (Note 9)	NA	Cabinet for Workforce Development	239,043	
84.181	Special Education - Grants for Infants and Families with Disabilities (Note 9)	NA	Cabinet for Health Services	3,799,199	
84.185	Byrd Honors Scholarships (Note 9)	NA	Department of Education	519,000	
84.186	Safe and Drug-Free Schools and Communities - State Grants (Note 9)	NA	Department of Education	7,001,391	
84.186	Safe and Drug-Free Schools and Communities - State Grants (Note 9)	NA	Cabinet for Health Services	1,419,662	
84.187	Supported Employment Services for Individuals with Severe Disabilities	NA	Cabinet for Workforce Development	518,130	
84.194	Bilingual Education Support Services (Note 9)	NA	Department of Education	31,033	
84.196	Education for Homeless Children and Youth (Note 9)	NA	Department of Education	467,078	
84.213	Even Start - State Educational Agencies (Note 9)	NA	Department of Education	1,852,254	
84.215	Fund for the Improvement of Education (Note 9)	NA	Department of Education	330,275	
84.216	Capital Expenses (Note 9)	NA	Department of Education	250,369	
84.224	Assistive Technology	NA	Department of Public Advocacy	26,091	
84.224	Assistive Technology (Note 9)	NA	Cabinet for Workforce Development	352,975	
84.240	Program of Protection and Advocacy of Individual Rights	NA	Department of Public Advocacy	66,181	
84.243	Tech-Prep Education (Note 9)	NA	Cabinet for Workforce Development	1,465,519	
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	NA	Cabinet for Workforce Development	105,953	
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants (Note 9)	NA	Department of Education	7,100,000	
84.278	School-to-Work Implementation Grant (Note 9)	NA	Cabinet for Workforce Development	1,135,757	
84.281	Eisenhower Professional Development State Grants (Note 9)	NA	Department of Education	4,166,100	
84.281	Eisenhower Professional Development State Grants (Note 9)	NA	Council on Postsecondary Education	717,732	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Education (Continued)</u>				
Direct Programs (Continued):				
84.298 Innovative Education Program Strategies (Note 9)	NA	Department of Education	6,102,129	
84.318 Technology Literacy Challenge Fund Grants (Note 9)	NA	Department of Education	2,080,349	
84.323 Special Education - State Program Improvement Grants for Children with Disabilities (Note 9)	NA	Department of Education	679,723	
84.323 Special Education - State Program Improvement Grants for Children with Disabilities (Note 9)	NA	Cabinet for Health Services	22,655	
84.326 Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (Note 9)	NA	Department of Education	75,180	
84.327 Special Education - Technology and Media Services for Individuals with Disabilities (Note 9)	NA	Department of Education	189,048	
84.330 Advanced Placement Incentive Program (Note 14)	NA	Department of Education		
84.331 Grants to States for Incarcerated Youth Offenders	NA	Department of Corrections	174,107	
84.332 Comprehensive School Reform Demonstration (Note 9)	NA	Department of Education	2,024,041	
84.338 Reading Excellence (Note 9)	NA	Department of Education	16,063	
84.340 Class Size Reduction (Note 2) (Note 9)	NA	Department of Education	19,641,600	
NA Appalachian Regional Assistance (Note 14)	NA	Department of Education		
Passed Through From Department of Education:				
84.013 Title I Program for Neglected and Delinquent Children	759-N&D	Department of Corrections	52,498	
84.013 Title I Program for Neglected and Delinquent Children (Note 9)	S013A80017, S013A90017	Department of Juvenile Justice	682,545	
84.298 Innovative Education Program Strategies	NA	Kentucky Center for the Arts	25,000	
Passed Through From Cabinet for Health Services:				
84.181 Special Education - Grants for Infants and Families with Disabilities (Note 9)	NA	Department of Education	62,398	
84.186 Safe and Drug-Free Schools and Communities - State Grants	MH-98-99- 5140, MH-99-00 5140	Department of State Police	71,266	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Education (Continued)</u>				
Passed Through From Public Broadcasting Service:				
84.203 Star Schools (Note 2)	NA	Kentucky Educational Television	1,660,374	
Passed Through From Cabinet for Workforce Development:				
84.048 Vocational Education - Basic Grants to States (Note 2) (Note 9)	V048A90017, V048A80018	Department of Education	7,219,869	
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States (Note 2) (Note 9)	NA	Department of Education	16,857	
84.243 Tech-Prep Education	V243A90088	Department of Education	5,408	
Subtotal U.S. Department of Education			389,697,664	
<u>U.S. National Archives and Records Administration</u>				
Direct Program:				
89.003 National Historical Publications and Records Grants	NA	Kentucky Historical Society	8,011	
Subtotal U.S. National Archives and Records Administration			8,011	
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
93.041 Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation (Note 9)	NA	Cabinet for Health Services	65,500	
93.042 Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals (Note 9)	NA	Cabinet for Health Services	121,147	
93.043 Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services (Note 9)	NA	Cabinet for Health Services	219,037	
93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (Note 9)	NA	Cabinet for Health Services	4,685,894	
93.045 Special Programs for the Aging - Title III, Part C - Nutrition Services (Note 9)	NA	Cabinet for Health Services	6,962,947	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Health and Human Services (Continued)</u>				
Direct Programs (Continued):				
93.046 Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals (Note 9)	NA	Cabinet for Health Services	96,374	
93.048 Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs (Note 9)	NA	Cabinet for Health Services	99,113	
93.110 Maternal and Child Health Federal Consolidated Programs	NA	Commission for Children with Special Health Care Needs	492,757	
93.110 Maternal and Child Health Federal Consolidated Programs (Note 9)	NA	Cabinet for Health Services	198,565	
93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs (Note 9) (Note 13)	NA	Cabinet for Health Services	965,540	77,962
93.119 Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation (Note 9)	NA	Cabinet for Health Services	66,149	
93.130 Primary Care Services - Resource Coordination and Development - Primary Care Offices (Note 9)	NA	Cabinet for Health Services	57,995	
93.136 Injury Prevention and Control Research and State and Community Based Programs (Note 9)	NA	Cabinet for Health Services	309,844	
93.138 Protection and Advocacy for Individuals with Mental Illness	NA	Department of Public Advocacy	283,124	
93.150 Projects for Assistance in Transition from Homelessness (PATH) (Note 9)	NA	Cabinet for Health Services	299,999	
93.194 Community Prevention Coalitions (Partnership) Demonstration Grant (Note 9)	NA	Cabinet for Health Services	894,704	
93.217 Family Planning - Services (Note 9)	NA	Cabinet for Health Services	4,145,747	
93.230 Consolidated Knowledge Development and Application (KD&A) Program (Note 9)	NA	Cabinet for Health Services	2,909,906	
93.234 Traumatic Brain Injury - State Demonstration Grant Program (Note 9)	NA	Cabinet for Health Services	47,967	
93.235 Abstinence Education (Note 9)	NA	Cabinet for Health Services	386,553	
93.238 Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement (Note 9)	NA	Cabinet for Health Services	344,016	
93.241 State Rural Hospital Flexibility Program (Note 14)	NA	Cabinet for Health Services		
93.245 Innovative Food Safety Projects (Note 9)	NA	Cabinet for Health Services	45,000	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title		Pass- Through Grantor's #	State Agency	Expenditures	
				Cash	Non-Cash
U.S. Department of Health and Human Services (Continued)					
Direct Programs (Continued):					
93.251	Universal Newborn Hearing Screening	NA	Commission for Children with Special Health Care Needs	1,210	
93.262	Occupational Safety and Health Research Grants (Note 9)	NA	Cabinet for Health Services	97,679	
93.268	Immunization Grants (Note 4) (Note 9) (Note 13)	NA	Cabinet for Health Services	2,745,545	7,780,634
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	NA	Commission for Children with Special Health Care Needs	26,419	
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance (Note 9)	NA	Cabinet for Health Services	893,246	
93.556	Promoting Safe and Stable Families (Note 9)	NA	Cabinet for Families and Children	3,841,945	
93.558	Temporary Assistance for Needy Families (Note 2) (Note 9)	NA	Cabinet for Families and Children	188,472,794	
93.563	Child Support Enforcement (Note 2) (Note 9)	NA	Cabinet for Families and Children	38,853,993	
93.568	Low-Income Home Energy Assistance (Note 2) (Note 9)	NA	Cabinet for Families and Children	23,942,645	
93.569	Community Services Block Grant (Note 9)	NA	Cabinet for Families and Children	8,690,152	
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition (Note 9)	NA	Cabinet for Families and Children	51,078	
93.575	Child Care and Development Block Grant (Note 2) (Note 9)	NA	Cabinet for Families and Children	11,992,225	
93.585	Empowerment Zones Program (Note 9)	NA	Finance and Administration Cabinet	4,362,875	
93.586	State Court Improvement Program	NA	Administrative Office of the Courts	120,838	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 2)	NA	Cabinet for Families and Children	36,092,479	
93.597	Grants to States for Access and Visitation Programs (Note 9)	NA	Cabinet for Families and Children	156,525	
93.600	Head Start (Note 9)	NA	Department of Education	166,273	
93.630	Developmental Disabilities Basic Support and Advocacy Grants (Note 9)	NA	Cabinet for Health Services	826,404	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	NA	Department of Public Advocacy	491,081	
93.643	Children's Justice Grants to States (Note 9)	NA	Cabinet for Families and Children	120,060	
93.645	Child Welfare Services - State Grants	NA	Cabinet for Families and Children	4,671,728	
93.652	Adoption Opportunities	NA	Administrative Office of the Courts	245,054	
93.658	Foster Care - Title IV-E (Note 2) (Note 9)	NA	Cabinet for Families and Children	43,856,521	
93.659	Adoption Assistance	NA	Cabinet for Families and Children	6,104,967	
93.667	Social Services Block Grant (Note 2) (Note 9)	NA	Cabinet for Families and Children	14,242,063	
93.669	Child Abuse and Neglect State Grants (Note 9)	NA	Cabinet for Families and Children	1,156,425	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Health and Human Services (Continued)</u>				
Direct Programs (Continued):				
93.671 Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes (Note 9)	NA	Cabinet for Families and Children	826,098	
93.674 Independent Living (Note 9)	NA	Cabinet for Families and Children	844,518	
93.767 State Children's Insurance Program	NA	Cabinet for Health Services	7,159,362	
93.775 State Medicaid Fraud Control Units (Note 2)	NA	Office of the Attorney General	989,371	
93.777 State Survey and Certification of Health Care Providers and Suppliers (Note 2)	NA	Cabinet for Health Services	4,079,421	
93.778 Medical Assistance Program (Note 2) (Note 9)	NA	Cabinet for Health Services	2,260,846,947	
93.779 Health Care Financing Research, Demonstrations and Evaluations (Note 9)	NA	Cabinet for Health Services	385,913	
93.917 HIV Care Formula Grants (Note 9)	NA	Cabinet for Health Services	4,177,057	
93.919 Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs (Note 9) (Note 13)	NA	Cabinet for Health Services	1,532,688	125,000
93.931 Demonstration Grants to States for Community Scholarship (Note 9)	NA	Cabinet for Health Services	2,178	
93.938 Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems (Note 9)	NA	Department of Education	181,996	
93.940 HIV Prevention Activities - Health Department Based (Note 9) (Note 13)	NA	Cabinet for Health Services	1,366,907	63,038
93.944 Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	NA	Cabinet for Health Services	112,231	
93.945 Assistance Program for Chronic Disease Prevention and Control (Note 9)	NA	Cabinet for Health Services	249,709	
93.958 Block Grants for Community Mental Health Services (Note 9)	NA	Cabinet for Health Services	3,442,990	
93.959 Block Grants for Prevention and Treatment of Substance Abuse (Note 2) (Note 9)	NA	Cabinet for Health Services	16,381,615	
93.977 Preventive Health Services - Sexually Transmitted Diseases Control Grants (Note 13)	NA	Cabinet for Health Services	784,103	178,902
93.988 Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	NA	Cabinet for Health Services	264,332	
93.991 Preventive Health and Health Services Block Grant (Note 9)	NA	Cabinet for Health Services	2,403,192	
93.994 Maternal and Child Health Services Block Grant to the States (Note 9)	NA	Cabinet for Health Services	7,375,068	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title		Pass- Through Grantor's #	State Agency	Expenditures	
				Cash	Non-Cash
<u>U.S. Department of Health and Human Services (Continued)</u>					
Direct Programs (Continued):					
NA	FDA Tobacco Investigations	NA	Department of Alcoholic Beverage Control	102,695	
NA	The Placement and Treatment of Neuropsychiatric Patients	NA	Cabinet for Families and Children	507,801	
Passed Through From Cabinet for Families and Children:					
93.556	Promoting Safe and Stable Families	NA	Cabinet for Health Services	9	
93.558	Temporary Assistance for Needy Families (Note 2)	G-9901-KY-TANF	Office of the Attorney General	374,361	
93.558	Temporary Assistance for Needy Families (Note 2)	NA	Cabinet for Health Services	1,936,685	
93.558	Temporary Assistance for Needy Families (Note 2)	FC-99-00-1016	Kentucky Housing Corporation	294,476	
93.558	Temporary Assistance for Needy Families (Note 2) (Note 9)	NA	Cabinet for Workforce Development	6,065,151	
93.563	Child Support Enforcement (Note 2)	G-9904-KY-4004, G-0004-KY-4004	Office of the Attorney General	140,853	
93.563	Child Support Enforcement (Note 2)	NA	Cabinet for Health Services	41,157	
93.568	Low-Income Home Energy Assistance (Note 2)	NA	Cabinet for Health Services	625	
93.569	Community Services Block Grant	NA	Cabinet for Health Services	609	
93.575	Child Care and Development Block Grant (Note 2) (Note 14)	NA	Cabinet for Health Services		
93.595	Welfare Reform Research, Evaluations and National Studies	NA	Cabinet for Health Services	739,968	
93.658	Foster Care - Title IV-E (Note 2)	NA	Cabinet for Health Services	1,817	
93.658	Foster Care - Title IV-E (Note 2)	9901KY1401, HHSZFA44069	Department of Juvenile Justice	1,985,667	
93.667	Social Services Block Grant (Note 2)	NA	Cabinet for Health Services	1,174,000	
93.667	Social Services Block Grant (Note 2)	G9901KYSOSR HHSZEFA4039	Department of Juvenile Justice	8,310,506	
93.669	Child Abuse and Neglect State Grants	G-9901-KY-FRPG, G-9801-KY-FRPG	Office of the Attorney General	2,732	
93.669	Child Abuse and Neglect State Grants	NA	Cabinet for Health Services	22	
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters	NA	Cabinet for Health Services	135	
NA	Clinical Laboratory Improvement Act	NA	Cabinet for Health Services	232,162	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title	Pass- Through Grantor's #	State Agency	Expenditures	
			Cash	Non-Cash
<u>U.S. Department of Health and Human Services (Continued)</u>				
Passed Through From Cabinet for Health Services:				
93.630	Developmental Disabilities Basic Support and Advocacy Grants (Note 14)	NA	Department of Education	
93.767	State Children's Insurance Program	5-9805-KY-5021, 5-9905-KY-5021	Cabinet for Families and Children	1,128,928
93.778	Medical Assistance Program (Note 2)	5-9905-KY-5048, 5-0005-KY-5048	Office of the Attorney General	95,920
93.778	Medical Assistance Program (Note 2)	05-0005-KY-5048	Commission for Children with Special Health Care Needs	382,500
93.778	Medical Assistance Program (Note 2) (Note 9)	5-9905-KY-5048, 5-0005-KY-5048	Cabinet for Families and Children	18,425,948
93.945	Assistance Program for Chronic Disease Prevention and Control (Note 9)	CCU416126, PH99-000030	Department of Education	396,708
93.958	Block Grants for Community Mental Health Services	NA	Cabinet for Workforce Development	59,000
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Note 2)	00-B1KYSAPT	Department of Alcoholic Beverage Control	57,166
93.994	Maternal and Child Health Services Block Grant to the States	Various	Commission for Children with Special Health Care Needs	4,140,539
Subtotal U.S. Department of Health and Human Services			2,775,923,938	8,225,536
<u>U.S. Corporation for National and Community Service</u>				
Direct Programs:				
94.003	State Commissions	NA	Cabinet for Families and Children	82,441
94.003	State Commissions (Note 9)	NA	Council on Postsecondary Education	70,976
94.004	Learn and Serve America - School and Community Based Programs (Note 9)	NA	Department of Education	332,824
94.004	Learn and Serve America - School and Community Based Programs	NA	Cabinet for Families and Children	34,123
94.004	Learn and Serve America - School and Community Based Programs (Note 9)	NA	Council on Postsecondary Education	44,711
94.006	AmeriCorps	NA	Cabinet for Families and Children	1,425,102
94.006	AmeriCorps (Note 9)	NA	Council on Postsecondary Education	1,195,978

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY FEDERAL GRANTOR
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor CFDA # Program Title		Pass- Through Grantor's #	State Agency	Expenditures	
				Cash	Non-Cash
<u>U.S. Corporation for National and Community Service (Continued)</u>					
Direct Programs (Continued):					
94.009	Training and Technical Assistance	NA	Cabinet for Families and Children	17,170	
94.009	Training and Technical Assistance (Note 9)	NA	Council on Postsecondary Education	68,642	
94.011	Foster Grandparent Program (Note 9)	NA	Cabinet for Health Services	471,716	
Subtotal U.S. Corporation for National and Community Service				3,743,683	
<u>U.S. Social Security Administration</u>					
Direct Program:					
96.001	Social Security - Disability Insurance (Note 2) (Note 9)	NA	Cabinet for Families and Children	33,106,507	
Subtotal U.S. Social Security Administration				33,106,507	
<u>U.S. Army Corps of Engineers</u>					
Direct Program:					
NA	Monitoring of Wildlife Project	NA	Department of Fish and Wildlife Resources	15,938	
Subtotal U.S. Army Corps of Engineers				15,938	
<u>Other Federal Assistance</u>					
Direct Program:					
NA	Joint Funding Administration (Note 8) (Note 9)	NA	Department for Local Government	1,635,754	
Passed Through From Laurel County Fiscal Court:					
NA	Appalachia High Intensity Drug Trafficking Area (Note 9)	I9PAPP501	Office of the Governor	83,802	
Subtotal Other Federal Assistance				1,719,556	
Total Schedule of Expenditures of Federal Awards				\$ 4,578,978,051	\$ 507,694,328

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>ADMINISTRATIVE OFFICE OF THE COURTS</u>			
<u>U.S. Department of Justice</u>			
Direct Program:			
16.585 Drug Court Discretionary Grant Program	NA	\$ 350,456	
Passed Through From Justice Cabinet - Office of the Secretary:			
16.579 Byrne Formula Grant Program	Various	938,784	
Passed Through From Department of Juvenile Justice:			
16.523 Juvenile Accountability Incentive Block Grants	98-JB-VX-0021	45,404	
16.540 Juvenile Justice and Delinquency Prevention - Allocation to States	99-JF-FX-0721	13,295	
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
93.586 State Court Improvement Program	NA	120,838	
93.652 Adoption Opportunities	NA	245,054	
SUBTOTAL ADMINISTRATIVE OFFICE OF THE COURTS		1,713,831	
<u>DEPARTMENT OF AGRICULTURE</u>			
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
10.025 Plant and Animal Disease, Pest Control, and Animal Care	NA	32,448	
10.153 Market News (Note 14)	NA		
10.156 Federal-State Marketing Improvement Program	NA	65,000	
10.162 Inspection Grading and Standardization	NA	2,364	
10.163 Market Protection and Promotion	NA	52,643	
10.550 Food Distribution (Note 9) (Note 13)	NA		\$ 12,176,992
10.560 State Administrative Expenses for Child Nutrition	NA	118,907	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through Grantor's #	Expenditures	
Federal Grantor			Cash	Non-Cash
CFDA #/ Program Title				
<u>DEPARTMENT OF AGRICULTURE (CONTINUED)</u>				
<u>U.S. Department of Agriculture (Continued)</u>				
Direct Programs (Continued):				
10.565	Commodity Supplemental Food Program (Note 4) (Note 13)	NA	235,322	1,036,529
10.568	Emergency Food Assistance Program (Administrative Costs)	NA	756,405	
10.569	Emergency Food Assistance Program (Food Commodities) (Note 13)	NA		3,215,846
10.572	WIC Farmers' Market Nutrition Program (FMNP) (Note 12)	NA	79,780	
10.769	Rural Development Grants	NA	2,826	
10.913	Farmland Protection Program	NA	456,490	
NA	Rural Rehabilitation Student Loan Program (Note 3a)	NA	128,452	
Passed Through From the Kentucky Center for Cooperative Development:				
10.771	Rural Cooperative Development Grants	NA	4,980	
<u>U.S. Environmental Protection Agency</u>				
Direct Program:				
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	NA	606,635	
SUBTOTAL DEPARTMENT OF AGRICULTURE			2,542,252	16,429,367
<u>DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL</u>				
<u>U.S. Department of Transportation</u>				
Passed Through From Department of State Police:				
20.600	State and Community Highway Safety	YA-99-02	118,523	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through Grantor's #	Expenditures	
Federal Grantor	CFDA #/ Program Title		Cash	Non-Cash
<u>DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL (CONTINUED)</u>				
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
NA	FDA Tobacco Investigations	NA	102,695	
Passed Through From Cabinet for Health Services:				
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Note 2)	00-B1KYSAPT	57,166	
SUBTOTAL DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL			278,384	
<u>KENTUCKY ARTS COUNCIL</u>				
<u>U.S. National Foundation on the Arts and the Humanities</u>				
Direct Programs:				
45.025	Promotion of the Arts - Partnership Agreements (Note 9)	NA	606,000	
45.026	Promotion of the Arts - Leadership Initiatives (Note 14)	NA		
SUBTOTAL KENTUCKY ARTS COUNCIL			606,000	
<u>OFFICE OF THE ATTORNEY GENERAL</u>				
<u>U.S. Department of Agriculture</u>				
Passed Through From Cabinet for Families and Children:				
10.561	State Administrative Matching Grants for Food Stamp Program (Note 2)	F93404, F03404	350,542	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>OFFICE OF THE ATTORNEY GENERAL (CONTINUED)</u>			
<u>U.S. Department of Justice</u>			
Direct Programs:			
16.550 State Justice Statistics Program for Statistical Analysis Centers	NA	20,471	
16.582 Crime Victim Assistance/Discretionary Grants	NA	5,030	
Passed Through From Justice Cabinet - Office of the Secretary:			
16.579 Byrne Formula Grant Program	Various	100,132	
16.588 Violence Against Women Formula Grants	6107-VA2-4/99, 5900-VA2-3/98	66,270	
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
93.775 State Medicaid Fraud Control Units (Note 2)	NA	989,371	
Passed Through From Cabinet for Families and Children:			
93.558 Temporary Assistance for Needy Families (Note 2)	G-9901-KY-TANF	374,361	
93.563 Child Support Enforcement (Note 2)	G-9904-KY-4004, G-0004-KY-4004	140,853	
93.669 Child Abuse and Neglect State Grants	G-9901-KY-FRPG, G-9801-KY-FRPG	2,732	
Passed Through From Cabinet for Health Services:			
93.778 Medical Assistance Program (Note 2)	5-9905-KY-5048, 5-0005-KY-5048	95,920	
SUBTOTAL OFFICE OF THE ATTORNEY GENERAL		2,145,682	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>DEPARTMENT OF BUSINESS DEVELOPMENT</u>			
<u>U.S. Appalachian Regional Commission</u>			
Direct Program:			
23.011 Appalachian State Research, Technical Assistance, and Demonstration Projects	NA	115,299	
SUBTOTAL DEPARTMENT OF BUSINESS DEVELOPMENT		115,299	
<u>KENTUCKY CENTER FOR THE ARTS</u>			
<u>U.S. National Foundation on the Arts and the Humanities</u>			
Passed Through From Kentucky Arts Council:			
45.025 Promotion of the Arts - Partnership Agreements	NA	5,000	
<u>U.S. Department of Education</u>			
Passed Through From Department of Education:			
84.298 Innovative Education Program Strategies	NA	25,000	
SUBTOTAL KENTUCKY CENTER FOR THE ARTS		30,000	
<u>COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS</u>			
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
93.110 Maternal and Child Health Federal Consolidated Programs	NA	492,757	
93.251 Universal Newborn Hearing Screening	NA	1,210	
93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance	NA	26,419	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through Grantor's #	Expenditures	
Federal Grantor			Cash	Non-Cash
CFDA #/ Program Title				
<u>COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS (CONTINUED)</u>				
<u>U.S. Department of Health and Human Services (Continued)</u>				
Passed Through From Cabinet for Health Services:				
93.778	Medical Assistance Program (Note 2)	5-0005-KY-5048	382,500	
93.994	Maternal and Child Health Services Block Grant to the States	Various	4,140,539	
SUBTOTAL COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS			5,043,425	
<u>COMMONWEALTH SMALL BUSINESS DEVELOPMENT CORPORATION</u>				
<u>U.S. Small Business Administration</u>				
Direct Programs:				
59.036	Certified Development Company Loans (503 Loans) (Note 2) (Note 3c) (Note 13)	NA		679,296
59.041	Certified Development Company Loans (504 Loans) (Note 2) (Note 3c) (Note 13)	NA		24,965,181
SUBTOTAL COMMONWEALTH SMALL BUSINESS DEVELOPMENT CORPORATION				25,644,477
<u>DEPARTMENT OF COMMUNITY DEVELOPMENT</u>				
<u>U.S. Department of Defense</u>				
Direct Program:				
12.002	Procurement Technical Assistance for Business Firms	NA	159,041	
SUBTOTAL DEPARTMENT OF COMMUNITY DEVELOPMENT			159,041	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>DEPARTMENT OF CORRECTIONS</u>			
<u>U.S. Department of Agriculture</u>			
Passed Through From Department of Agriculture:			
10.550 Food Distribution (Note 13)	NA		52,321
<u>U.S. Department of Justice</u>			
Direct Programs:			
16.580 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	NA	2,575,149	
16.606 State Criminal Alien Assistance Program	NA	142,464	
Passed Through From Justice Cabinet - Office of the Secretary:			
16.554 National Criminal History Improvement Program (NCHIP)	96-RU-RX-K001	383,710	
16.579 Byrne Formula Grant Program	Various	507,830	
16.586 Violent Offender Incarceration and Truth in Sentencing Incentive Grants	5737-VOI-01/96, 6063-VOI-01/96	110,941	
16.592 Local Law Enforcement Block Grants Program	98-LB-VX-0024	6,808	
16.593 Residential Substance Abuse Treatment for State Prisoners	99-RT-NX-0021, 98 RT-NX-0021	659,592	
<u>U.S. Department of Education</u>			
Direct Program:			
84.331 Grants to States for Incarcerated Youth Offenders	NA	174,107	
Passed Through From Department of Education:			
84.013 Title I Program for Neglected and Delinquent Children	759-N&D	52,498	
SUBTOTAL DEPARTMENT OF CORRECTIONS		4,613,099	52,321

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>CRIME VICTIMS COMPENSATION BOARD</u>			
<u>U.S. Department of Justice</u>			
Direct Program:			
16.576 Crime Victim Compensation	NA	350,701	
SUBTOTAL CRIME VICTIMS COMPENSATION BOARD		350,701	
<u>DEPARTMENT OF CRIMINAL JUSTICE TRAINING</u>			
<u>U.S. Department of Justice</u>			
Direct Program:			
16.712 Police Corps	NA	125,207	
Passed Through From Eastern Kentucky University:			
16.710 Public Safety Partnership and Community Policing Grants	97-CK-WX-0021	36,193	
Passed Through From Justice Cabinet - Office of the Secretary:			
16.592 Local Law Enforcement Block Grants Program	98-LB-VX-0024	3,821	
<u>U.S. Department of Transportation</u>			
Passed Through From Department of State Police:			
20.600 State and Community Highway Safety	PT-99-12	42,045	
SUBTOTAL DEPARTMENT OF CRIMINAL JUSTICE TRAINING		207,266	
<u>DEPARTMENT OF EDUCATION</u>			
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
10.553 School Breakfast Program (Note 2) (Note 9)	NA	30,065,488	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor	Pass Through	Expenditures	
CFDA #/ Program Title	Grantor's #	Cash	Non-Cash
<u>DEPARTMENT OF EDUCATION (CONTINUED)</u>			
<u>U.S. Department of Agriculture (Continued)</u>			
Direct Programs (Continued):			
10.555 National School Lunch Program (Note 2) (Note 9)	NA	95,202,190	
10.556 Special Milk Program for Children (Note 2) (Note 9)	NA	74,706	
10.558 Child and Adult Care Food Program (Note 2) (Note 9)	NA	22,635,698	
10.559 Summer Food Service Program for Children (Note 2) (Note 9)	NA	2,845,436	
10.560 State Administrative Expenses for Child Nutrition	NA	1,594,648	
10.564 Nutrition Education and Training Program	NA	34,005	
NA Kentucky Demonstration (Note 14)	NA		
<u>U.S. Department of Defense</u>			
Direct Program:			
NA Teacher and Teacher's Aide Placement Assistance Program	NA	73,963	
<u>U.S. Department of Labor</u>			
Passed Through From Cabinet for Workforce Development:			
17.250 Job Training Partnership Act (Note 2) (Note 9)	NA	481,042	
<u>U.S. Appalachian Regional Commission</u>			
Direct Program:			
23.001 Appalachian Regional Development (Note 14)	NA		
<u>U.S. Department of Education</u>			
Direct Programs:			
84.010 Title I Grants to Local Educational Agencies (Note 2) (Note 9)	NA	131,122,306	
84.011 Migrant Education - Basic State Grant Program (Note 9)	NA	10,321,118	
84.013 Title I Program for Neglected and Delinquent Children (Note 9)	NA	8,570	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor		Pass Through	Expenditures
CFDA #/ Program Title		Grantor's #	Cash Non-Cash
<u>DEPARTMENT OF EDUCATION (CONTINUED)</u>			
<u>U.S. Department of Education (Continued)</u>			
Direct Programs (Continued):			
84.023	Special Education - Innovation and Development (Note 9)	NA	167,022
84.025	Services for Children with Deaf-Blindness (Note 9)	NA	216,352
84.027	Special Education - Grants to States (Note 2) (Note 9)	NA	59,150,693
84.029	Special Education - Personnel Development and Parent Training	NA	5,054
84.162	Immigrant Education (Note 9)	NA	100,106
84.173	Special Education - Preschool Grants (Note 2) (Note 9)	NA	10,407,982
84.185	Byrd Honors Scholarships (Note 9)	NA	519,000
84.186	Safe and Drug-Free Schools and Communities - State Grants (Note 9)	NA	7,001,391
84.194	Bilingual Education Support Services (Note 9)	NA	31,033
84.196	Education for Homeless Children and Youth (Note 9)	NA	467,078
84.213	Even Start - State Educational Agencies (Note 9)	NA	1,852,254
84.215	Fund for the Improvement of Education (Note 9)	NA	330,275
84.216	Capital Expenses (Note 9)	NA	250,369
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants (Note 9)	NA	7,100,000
84.281	Eisenhower Professional Development State Grants (Note 9)	NA	4,166,100
84.298	Innovative Education Program Strategies (Note 9)	NA	6,102,129
84.318	Technology Literacy Challenge Fund Grants (Note 9)	NA	2,080,349
84.323	Special Education - State Program Improvement Grants for Children with Disabilities (Note 9)	NA	679,723
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (Note 9)	NA	75,180
84.327	Special Education - Technology and Media Services for Individuals with Disabilities (Note 9)	NA	189,048
84.330	Advanced Placement Incentive Program (Note 14)	NA	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor		Pass Through	Expenditures
CFDA #/ Program Title		Grantor's #	Cash Non-Cash
<u>DEPARTMENT OF EDUCATION (CONTINUED)</u>			
<u>U.S. Department of Education (Continued)</u>			
Direct Programs (Continued):			
84.332 Comprehensive School Reform Demonstration (Note 9)	NA		2,024,041
84.338 Reading Excellence (Note 9)	NA		16,063
84.340 Class Size Reduction (Note 2) (Note 9)	NA		19,641,600
NA Appalachian Regional Assistance (Note 14)	NA		
Passed Through From Cabinet for Health Services:			
84.181 Special Education - Grants for Infants and Families with Disabilities (Note 9)	NA		62,398
Passed Through From Cabinet for Workforce Development:			
84.048 Vocational Education - Basic Grants to States (Note 2) (Note 9)	V048A90017, V048A80018		7,219,869
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States (Note 2) (Note 9)	NA		16,857
84.243 Tech-Prep Education	V243A90088		5,408
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
93.600 Head Start (Note 9)	NA		166,273
93.938 Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems (Note 9)	NA		181,996
Passed Through From Cabinet for Health Services:			
93.630 Developmental Disabilities Basic Support and Advocacy Grants (Note 14)	NA		
93.945 Assistance Program for Chronic Disease Prevention and Control (Note 9)	CCU416126, PH99-000030		396,708

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>DEPARTMENT OF EDUCATION (CONTINUED)</u>			
<u>U.S. Corporation for National and Community Service</u>			
Direct Program:			
94.004 Learn and Serve America - School and Community Based Programs (Note 9)	NA	332,824	
SUBTOTAL DEPARTMENT OF EDUCATION		425,414,345	
<u>KENTUCKY EDUCATIONAL TELEVISION</u>			
<u>U.S. Department of Commerce</u>			
Direct Program:			
11.550 Public Telecommunications Facilities - Planning and Construction (Note 2)	NA	659,935	
<u>U.S. National Foundation on the Arts and the Humanities</u>			
Direct Program:			
NA National Endowment for the Arts (Note 14)	NA		
<u>U.S. Department of Education</u>			
Passed Through From Public Broadcasting Service:			
84.203 Star Schools (Note 2)	NA	1,660,374	
SUBTOTAL KENTUCKY EDUCATIONAL TELEVISION		2,320,309	
<u>CABINET FOR FAMILIES AND CHILDREN</u>			
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
10.551 Food Stamps (Note 2) (Note 4) (Note 13)	NA		337,767,068
10.561 State Administrative Matching Grants for Food Stamp Program (Note 2) (Note 9)	NA	27,124,160	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor	Pass Through	Expenditures	
CFDA #/ Program Title	Grantor's #	Cash	Non-Cash
<u>CABINET FOR FAMILIES AND CHILDREN (CONTINUED)</u>			
<u>U.S. Department of Agriculture (Continued)</u>			
Passed Through From Cabinet for Health Services:			
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	3F9703	5,259	
<u>U.S. Department of Labor</u>			
Direct Program:			
17.253 Welfare-to-Work Grants to States and Localities (Note 9)	NA	5,252,564	
<u>U.S. Department of Energy</u>			
Direct Program:			
81.042 Weatherization Assistance for Low-Income Persons (Note 9)	NA	2,295,992	
<u>U.S. Department of Education</u>			
Direct Program:			
84.013 Title I Program for Neglected and Delinquent Children (Note 14)	NA		
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
93.556 Promoting Safe and Stable Families (Note 9)	NA	3,841,945	
93.558 Temporary Assistance for Needy Families (Note 2) (Note 9)	NA	188,472,794	
93.563 Child Support Enforcement (Note 2) (Note 9)	NA	38,853,993	
93.568 Low-Income Home Energy Assistance (Note 2) (Note 9)	NA	23,942,645	
93.569 Community Services Block Grant (Note 9)	NA	8,690,152	
93.571 Community Services Block Grant Discretionary Awards - Community Food and Nutrition (Note 9)	NA	51,078	
93.575 Child Care and Development Block Grant (Note 2) (Note 9)	NA	11,992,225	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor		Pass Through	Expenditures
CFDA #/ Program Title		Grantor's #	Cash Non-Cash
<u>CABINET FOR FAMILIES AND CHILDREN (CONTINUED)</u>			
<u>U.S. Department of Health and Human Services (Continued)</u>			
Direct Programs (Continued):			
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 2)	NA	36,092,479
93.597	Grants to States for Access and Visitation Programs (Note 9)	NA	156,525
93.643	Children's Justice Grants to States (Note 9)	NA	120,060
93.645	Child Welfare Services - State Grants	NA	4,671,728
93.658	Foster Care - Title IV-E (Note 2) (Note 9)	NA	43,856,521
93.659	Adoption Assistance	NA	6,104,967
93.667	Social Services Block Grant (Note 2) (Note 9)	NA	14,242,063
93.669	Child Abuse and Neglect State Grants (Note 9)	NA	1,156,425
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes (Note 9)	NA	826,098
93.674	Independent Living (Note 9)	NA	844,518
NA	The Placement and Treatment of Neuropsychiatric Patients	NA	507,801
Passed Through From Cabinet for Health Services:			
93.767	State Children's Insurance Program	5-9805-KY-5021	1,128,928
		5-9905-KY-5021	
93.778	Medical Assistance Program (Note 2) (Note 9)	5-9905-KY-5048	18,425,948
		5-0005-KY-5048	
<u>U.S. Corporation for National and Community Service</u>			
Direct Programs:			
94.003	State Commissions	NA	82,441
94.004	Learn and Serve America - School and Community Based Programs	NA	34,123
94.006	AmeriCorps	NA	1,425,102
94.009	Training and Technical Assistance	NA	17,170

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>CABINET FOR FAMILIES AND CHILDREN (CONTINUED)</u>			
<u>U.S. Social Security Administration</u>			
Direct Program:			
96.001 Social Security - Disability Insurance (Note 2) (Note 9)	NA	33,106,507	
		<hr/>	
SUBTOTAL CABINET FOR FAMILIES AND CHILDREN		473,322,211	337,767,068
		<hr/> <hr/>	
<u>FINANCE AND ADMINISTRATION CABINET</u>			
<u>U.S. General Services Administration</u>			
Direct Program:			
39.003 Donation of Federal Surplus Personal Property (Note 13)	NA		750,514
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
93.585 Empowerment Zones Program (Note 9)	NA	4,362,875	
		<hr/>	
SUBTOTAL FINANCE AND ADMINISTRATION CABINET		4,362,875	750,514
		<hr/> <hr/>	
<u>DEPARTMENT OF FISH AND WILDLIFE RESOURCES</u>			
<u>U.S. Department of Agriculture</u>			
Direct Program:			
10.914 Wildlife Habitat Incentive Program	NA	56,135	
<u>U.S. Department of the Interior</u>			
Direct Programs:			
15.605 Sport Fish Restoration	NA	6,360,904	
15.611 Wildlife Restoration (Note 11)	NA	2,218,417	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor		Pass Through	Expenditures
CFDA #/ Program Title		Grantor's #	CashNon-Cash
<u>DEPARTMENT OF FISH AND WILDLIFE RESOURCES (CONTINUED)</u>			
<u>U.S. Department of the Interior (Continued)</u>			
Direct Programs (Continued):			
15.615 Cooperative Endangered Species Conservation Fund	NA		77,984
15.616 Clean Vessel Act	NA		33,839
15.617 Wildlife Conservation and Appreciation	NA		73,000
15.810 National Cooperative Geologic Mapping Program	NA		206,830
<u>U.S. Department of Justice</u>			
Passed Through From Justice Cabinet - Office of the Secretary:			
16.607 Bulletproof Vest Partnership Program	NA		64,534
<u>U.S. Department of Transportation</u>			
Direct Program:			
20.005 Boating Safety Financial Assistance	NA		537,604
Passed Through From Department for Local Government:			
20.219 Recreational Trails Program	NA		5,346
<u>U.S. Environmental Protection Agency</u>			
Direct Program:			
66.461 Wetlands Protection - Development Grants	NA		23,054
<u>U.S. Army Corps of Engineers</u>			
Direct Program:			
NA Monitoring of Wildlife Project	NA		15,938
SUBTOTAL DEPARTMENT OF FISH AND WILDLIFE RESOURCES			9,673,585

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through Grantor's #	Expenditures	
Federal Grantor	CFDA #/ Program Title		Cash	Non-Cash
<u>OFFICE OF THE GOVERNOR</u>				
<u>Other Federal Assistance</u>				
Passed Through From Laurel County Fiscal Court:				
NA	Appalachia High Intensity Drug Trafficking Area (Note 9)	I9PAPP501	83,802	
SUBTOTAL OFFICE OF THE GOVERNOR			83,802	
<u>CABINET FOR HEALTH SERVICES</u>				
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2) (Note 9)	NA	82,628,276	
10.570	Nutrition Program for the Elderly (Commodities) (Note 9)	NA	1,813,041	
Passed Through From Cabinet for Families and Children:				
10.561	State Administrative Matching Grants for Food Stamp Program (Note 2)	NA	167,999	
<u>U.S. Department of Justice</u>				
Passed Through From Justice Cabinet - Office of the Secretary:				
16.579	Byrne Formula Grant Program	NA	104,860	
<u>U.S. Department of Labor</u>				
Direct Program:				
17.235	Senior Community Service Employment Program (Note 9)	NA	1,618,611	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>CABINET FOR HEALTH SERVICES (CONTINUED)</u>			
<u>U.S. Department of Labor (Continued)</u>			
Passed Through From Cabinet for Families and Children:			
17.253 Welfare-to-Work Grants to States and Localities	NA	171	
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
66.032 State Indoor Radon Grants (Note 9)	NA	219,814	
66.606 Surveys, Studies, Investigations and Special Purpose Grants	NA	61,045	
66.707 TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	NA	342,202	
<u>U.S. Department of Energy</u>			
Passed Through From Cabinet for Families and Children:			
81.042 Weatherization Assistance for Low-Income Persons	NA	26,623	
Passed Through From Natural Resources and Environmental Protection Cabinet:			
81.502 Paducah Gaseous Diffusion Plant Environmental Monitoring and Oversight (Note 9)	DE-FG05-910R21997	414,049	
<u>U.S. Federal Emergency Management Agency</u>			
Passed Through From Department of Military Affairs:			
83.549 Chemical Stockpile Emergency Preparedness Program (Note 9)	NA	107,554	
<u>U.S. Department of Education</u>			
Direct Programs:			
84.181 Special Education - Grants for Infants and Families with Disabilities (Note 9)	NA	3,799,199	
84.186 Safe and Drug-Free Schools and Communities - State Grants (Note 9)	NA	1,419,662	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through	Expenditures	
Federal Grantor		Grantor's #	Cash	Non-Cash
CFDA #/ Program Title				
<u>CABINET FOR HEALTH SERVICES (CONTINUED)</u>				
<u>U.S. Department of Education (Continued)</u>				
Direct Programs (Continued):				
84.323	Special Education - State Program Improvement Grants for Children with Disabilities (Note 9)	NA	22,655	
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation (Note 9)	NA	65,500	
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals (Note 9)	NA	121,147	
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services (Note 9)	NA	219,037	
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (Note 9)	NA	4,685,894	
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services (Note 9)	NA	6,962,947	
93.046	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals (Note 9)	NA	96,374	
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs (Note 9)	NA	99,113	
93.110	Maternal and Child Health Federal Consolidated Programs (Note 9)	NA	198,565	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs (Note 9) (Note 13)	NA	965,540	77,962
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation (Note 9)	NA	66,149	
93.130	Primary Care Services - Resource Coordination and Development - Primary Care Offices (Note 9)	NA	57,995	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency				
Federal Grantor		Pass Through	Expenditures	
CFDA #/ Program Title		Grantor's #	Cash	Non-Cash
<u>CABINET FOR HEALTH SERVICES (CONTINUED)</u>				
<u>U.S. Department of Health and Human Services (Continued)</u>				
<u>Direct Programs (Continued):</u>				
93.136	Injury Prevention and Control Research and State and Community Based Programs (Note 9)	NA	309,844	
93.150	Projects for Assistance in Transition from Homelessness (PATH) (Note 9)	NA	299,999	
93.194	Community Prevention Coalitions (Partnership) Demonstration Grant (Note 9)	NA	894,704	
93.217	Family Planning - Services (Note 9)	NA	4,145,747	
93.230	Consolidated Knowledge Development and Application (KD&A) Program (Note 9)	NA	2,909,906	
93.234	Traumatic Brain Injury - State Demonstration Grant Program (Note 9)	NA	47,967	
93.235	Abstinence Education (Note 9)	NA	386,553	
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement (Note 9)	NA	344,016	
93.241	State Rural Hospital Flexibility Program (Note 14)	NA		
93.245	Innovative Food Safety Projects (Note 9)	NA	45,000	
93.262	Occupational Safety and Health Research Grants (Note 9)	NA	97,679	
93.268	Immunization Grants (Note 4) (Note 9) (Note 13)	NA	2,745,545	7,780,634
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance (Note 9)	NA	893,246	
93.630	Developmental Disabilities Basic Support and Advocacy Grants (Note 9)	NA	826,404	
93.767	State Children's Insurance Program	NA	7,159,362	
93.777	State Survey and Certification of Health Care Providers and Suppliers (Note 2)	NA	4,079,421	
93.778	Medical Assistance Program (Note 2) (Note 9)	NA	2,260,846,947	
93.779	Health Care Financing Research, Demonstrations and Evaluations (Note 9)	NA	385,913	
93.917	HIV Care Formula Grants (Note 9)	NA	4,177,057	
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs (Note 9) (Note 13)	NA	1,532,688	125,000

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency				
Federal Grantor		Pass Through	Expenditures	
CFDA #/ Program Title		Grantor's #	Cash	Non-Cash
<u>CABINET FOR HEALTH SERVICES (CONTINUED)</u>				
<u>U.S. Department of Health and Human Services (Continued)</u>				
Direct Programs (Continued):				
93.931	Demonstration Grants to States for Community Scholarship (Note 9)	NA	2,178	
93.940	HIV Prevention Activities - Health Department Based (Note 9) (Note 13)	NA	1,366,907	63,038
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	NA	112,231	
93.945	Assistance Program for Chronic Disease Prevention and Control (Note 9)	NA	249,709	
93.958	Block Grants for Community Mental Health Services (Note 9)	NA	3,442,990	
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Note 2) (Note 9)	NA	16,381,615	
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants (Note 13)	NA	784,103	178,902
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	NA	264,332	
93.991	Preventive Health and Health Services Block Grant (Note 9)	NA	2,403,192	
93.994	Maternal and Child Health Services Block Grant to the States (Note 9)	NA	7,375,068	
Passed Through From Cabinet for Families and Children:				
93.556	Promoting Safe and Stable Families	NA	9	
93.558	Temporary Assistance for Needy Families (Note 2)	NA	1,936,685	
93.563	Child Support Enforcement (Note 2)	NA	41,157	
93.568	Low-Income Home Energy Assistance (Note 2)	NA	625	
93.569	Community Services Block Grant	NA	609	
93.575	Child Care and Development Block Grant (Note 2) (Note 14)	NA		
93.595	Welfare Reform Research, Evaluations and National Studies	NA	739,968	
93.658	Foster Care - Title IV-E (Note 2)	NA	1,817	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through Grantor's #	Expenditures	
Federal Grantor	CFDA #/ Program Title		Cash	Non-Cash
<u>CABINET FOR HEALTH SERVICES (CONTINUED)</u>				
<u>U.S. Department of Health and Human Services (Continued)</u>				
Passed Through From Cabinet for Families and Children (Continued):				
93.667	Social Services Block Grant (Note 2)	NA	1,174,000	
93.669	Child Abuse and Neglect State Grants	NA	22	
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	NA	135	
NA	Clinical Laboratory Improvement Act	NA	232,162	
<u>U.S. Corporation for National and Community Service</u>				
Direct Program:				
94.011	Foster Grandparent Program (Note 9)	NA	471,716	
SUBTOTAL CABINET FOR HEALTH SERVICES			2,435,393,250	8,225,536
<u>KENTUCKY HERITAGE COUNCIL</u>				
<u>U.S. Department of the Interior</u>				
Direct Program:				
15.904	Historic Preservation Fund Grants-In-Aid (Note 9)	NA	882,571	
SUBTOTAL KENTUCKY HERITAGE COUNCIL			882,571	
<u>KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY</u>				
<u>U.S. Department of Education</u>				
Direct Programs:				
84.032	Federal Family Education Loans (Note 2) (Note 3e)	NA	25,690,533	
84.069	Leveraging Educational Assistance Partnership (Note 2)	NA	311,937	
SUBTOTAL KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY			26,002,470	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor	Pass Through	Expenditures	
CFDA #/ Program Title	Grantor's #	Cash	Non-Cash
<u>KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION</u>			
<u>U.S. Department of Education</u>			
Direct Program:			
84.032 Federal Family Education Loans (Note 2) (Note 3e)	NA	15,984,101	
SUBTOTAL KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION		15,984,101	
<u>KENTUCKY HISTORICAL SOCIETY</u>			
<u>U.S. National Foundation on the Arts and the Humanities</u>			
Direct Programs:			
45.015 Promotion of the Arts - Folk and Traditional Arts	NA	7,101	
45.129 Promotion of the Humanities - Federal/State Partnership	NA	18,253	
45.149 Promotion of the Humanities - Division of Preservation and Access	NA	3,724	
<u>U.S. National Archives and Records Administration</u>			
Direct Program:			
89.003 National Historical Publications and Records Grants	NA	8,011	
SUBTOTAL KENTUCKY HISTORICAL SOCIETY		37,089	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through	Expenditures	
Federal Grantor		Grantor's #	Cash	Non-Cash
CFDA #/ Program Title				
<u>KENTUCKY HOUSING CORPORATION</u>				
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
14.182	Lower Income Housing Assistance Program - Section 8 New Construction/Substantial Rehabilitation (Note 2)	NA	56,356,473	
14.185	Homeownership and Opportunity for People Everywhere	NA	30,756	
14.231	Emergency Shelter Grants Program (Note 9)	NA	1,349,459	
14.235	Supportive Housing Program	NA	2,782,292	
14.238	Shelter Plus Care	NA	191,550	
14.239	HOME Investment Partnerships Program (Note 2) (Note 9)	NA	13,752,507	
14.241	Housing Opportunities for Persons with AIDS (Note 9)	NA	954,570	
14.855	Section 8 Rental Voucher Program (Note 2)	NA	2,693,544	
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (Note 2)	NA	913,578	
14.857	Section 8 Rental Certificate Program (Note 2)	NA	5,172,616	
14.871	Section 8 Housing Choice Vouchers (Note 2)	NA	4,586,304	
NA	FHA/VA Insured Loans (Note 2) (Note 3g) (Note 13)	NA		114,554,476
<u>U.S. Appalachian Regional Commission</u>				
Passed Through From Department for Local Government:				
23.005	Appalachian Housing Project Planning Loan, Technical Assistance Grant and Site Development and Off-Site Improvement Grant - State Appalachian Housing Program	78-140	983,395	
<u>U.S. Department of Health and Human Services</u>				
Passed Through From Cabinet for Families and Children:				
93.558	Temporary Assistance for Needy Families (Note 2)	FC-99-00-1016	294,476	
SUBTOTAL KENTUCKY HOUSING CORPORATION			90,061,520	114,554,476

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>KENTUCKY COMMISSION ON HUMAN RIGHTS</u>			
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
14.401 Fair Housing Assistance Program - State and Local	NA	151,901	
14.408 Fair Housing Initiatives and Administrative Enforcement Initiative Program	NA	50,000	
<u>U.S. Equal Employment Opportunity Commission</u>			
Direct Program:			
30.002 Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	NA	51,079	
SUBTOTAL KENTUCKY COMMISSION ON HUMAN RIGHTS		252,980	
<u>KENTUCKY INFRASTRUCTURE AUTHORITY</u>			
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
66.458 Capitalization Grants for State Revolving Funds (Note 2) (Note 3f) (Note 9)	NA	12,415,782	
66.468 Capitalization Grants for Drinking Water State Revolving Fund (Note 2) (Note 3f) (Note 9)	NA	449,242	
SUBTOTAL KENTUCKY INFRASTRUCTURE AUTHORITY		12,865,024	
<u>JUSTICE CABINET - OFFICE OF THE SECRETARY</u>			
<u>U.S. Department of Justice</u>			
Direct Programs:			
16.554 National Criminal History Improvement Program (NCHIP) (Note 9) (Note 14)	NA		
16.575 Crime Victim Assistance (Note 9)	NA	3,760,399	
16.579 Byrne Formula Grant Program (Note 9)	NA	2,661,755	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>JUSTICE CABINET - OFFICE OF THE SECRETARY (CONTINUED)</u>			
<u>U.S. Department of Justice (Continued)</u>			
Direct Programs (Continued):			
16.586 Violent Offender Incarceration and Truth in Sentencing Incentive Grants (Note 9)	NA	24,016	
16.588 Violence Against Women Formula Grants (Note 9)	NA	1,692,467	
16.589 Rural Domestic Violence and Child Victimization Enforcement Grant Program (Note 9)	NA	80,067	
16.592 Local Law Enforcement Block Grants Program (Note 9)	NA	484,637	
16.593 Residential Substance Abuse Treatment for State Prisoners (Note 9) (Note 14)	NA		
16.598 State Identification Systems Grant Program (Note 9) (Note 14)	NA		
16.607 Bulletproof Vest Partnership Program (Note 9)	NA	10,442	
SUBTOTAL JUSTICE CABINET - OFFICE OF THE SECRETARY		8,713,783	

DEPARTMENT OF JUVENILE JUSTICE

U.S. Department of Agriculture

Passed Through From Department of Education:

10.553 School Breakfast Program (Note 2)	3F9299, 3N10309	256,416
10.555 National School Lunch Program (Note 2)	3F9299, 3N10309	416,576

U.S. Department of Justice

Direct Programs:

16.523 Juvenile Accountability Incentive Block Grants (Note 9)	NA	1,087,968
16.540 Juvenile Justice and Delinquency Prevention - Allocation to States (Note 9)	NA	186,093
16.542 National Institute for Juvenile Justice and Delinquency Prevention (Note 9)	NA	92,160
16.548 Title V - Delinquency Prevention Program (Note 9)	NA	161,382
16.549 Part E - State Challenge Activities (Note 9)	NA	28,124

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor	Pass Through	Expenditures	
CFDA #/ Program Title	Grantor's #	Cash	Non-Cash
<u>DEPARTMENT OF JUVENILE JUSTICE (CONTINUED)</u>			
<u>U.S. Department of Justice (Continued)</u>			
Passed Through From Justice Cabinet - Office of the Secretary:			
16.579 Byrne Formula Grant Program (Note 9)	Various	186,478	
16.586 Violent Offender Incarceration and Truth in Sentencing Incentive Grants	5728-VOI-1/96, 5730-VOI-1/96, 6114-VOI-1/96	1,966,398	
16.592 Local Law Enforcement Block Grants Program	98-LB-VX-0024	6,489	
<u>U.S. Department of Education</u>			
Passed Through From Department of Education:			
84.013 Title I Program for Neglected and Delinquent Children (Note 9)	S013A80017, S013A90017	682,545	
<u>U.S. Department of Health and Human Services</u>			
Passed Through From Cabinet for Families and Children:			
93.658 Foster Care - Title IV-E (Note 2)	9901KY1401, HHSZFA44069	1,985,667	
93.667 Social Services Block Grant (Note 2)	G9901KYSOSR, HHSZEFA4039	8,310,506	
SUBTOTAL DEPARTMENT OF JUVENILE JUSTICE		15,366,802	
<u>LABOR CABINET</u>			
<u>U.S. Department of Labor</u>			
Direct Programs:			
17.005 Compensation and Working Conditions	NA	123,084	
17.503 Occupational Safety and Health - State Program	NA	3,008,674	
17.504 Consultation Agreements	NA	20,208	
SUBTOTAL LABOR CABINET		3,151,966	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>DEPARTMENT FOR LIBRARIES AND ARCHIVES</u>			
<u>U.S. National Foundation on the Arts and the Humanities</u>			
Direct Program:			
45.310 State Library Program (Note 9)	NA	2,161,043	
SUBTOTAL DEPARTMENT FOR LIBRARIES AND ARCHIVES		2,161,043	
<u>DEPARTMENT FOR LOCAL GOVERNMENT</u>			
<u>U.S. Department of Agriculture</u>			
Direct Program:			
10.769 Rural Development Grants (Note 9)	NA	100,000	
<u>U.S. Department of Commerce</u>			
Direct Program:			
11.307 Economic Adjustment Assistance (Note 3d)	NA	450	
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
14.227 Community Development Block Grants/Special Purpose Grants/Technical Assistance Program (Note 14)	NA		
14.228 Community Development Block Grants/State's Program (Note 2) (Note 9) (Note 10)	NA	29,524,346	
14.230 Rental Housing Rehabilitation (Note 14)	NA		
14.231 Emergency Shelter Grants Program (Note 14)	NA		
NA HUD Disaster Recovery Initiative (Note 9)	NA	537,613	
<u>U.S. Department of the Interior</u>			
Direct Program:			
15.916 Outdoor Recreation - Acquisition, Development and Planning (Note 7) (Note 9)	NA	30,936	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>DEPARTMENT FOR LOCAL GOVERNMENT (CONTINUED)</u>			
<u>U.S. Department of Transportation</u>			
Direct Program:			
20.219 Recreational Trails Program (Note 9)	NA	270,090	
<u>U.S. Appalachian Regional Commission</u>			
Direct Programs:			
23.001 Appalachian Regional Development (Note 3b)	NA	69,569	
23.002 Appalachian Area Development (Note 9)	NA	100,127	
23.005 Appalachian Housing Project Planning Loan, Technical Assistance Grant and Site Development and Off-Site Improvement Grant - State Appalachian Housing Program (Note 14)	NA		
23.011 Appalachian State Research, Technical Assistance, and Demonstration Projects (Note 9)	NA	283,019	
<u>Other Federal Assistance</u>			
Direct Program:			
NA Joint Funding Administration (Note 8) (Note 9)	NA	1,635,754	
SUBTOTAL DEPARTMENT FOR LOCAL GOVERNMENT		32,551,904	
<u>DEPARTMENT OF MILITARY AFFAIRS</u>			
<u>U.S. Department of Commerce</u>			
Direct Program:			
11.450 Integrated Flood Observing and Warning System (IFLOWS)	NA	65,278	
<u>U.S. Department of Transportation</u>			
Direct Program:			
20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants	NA	55,031	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency			
Federal Grantor	Pass Through	Expenditures	
CFDA #/ Program Title	Grantor's #	Cash	Non-Cash
<u>DEPARTMENT OF MILITARY AFFAIRS (CONTINUED)</u>			
<u>U.S. Federal Emergency Management Agency</u>			
Direct Programs:			
83.011 Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	NA	48,883	
83.012 Hazardous Materials Assistance Program (Note 14)	NA		
83.105 Community Assistance Program - State Support Services Element (CAP-SSSE) (Note 14)	NA		
83.505 State Disaster Preparedness Grants	NA	30,727	
83.534 Emergency Management - State and Local Assistance (Note 9)	NA	555,407	
83.535 Mitigation Assistance (Note 9)	NA	96,559	
83.539 Crisis Counseling	NA	63,786	
83.543 Individual and Family Grants	NA	1,093,540	
83.544 Public Assistance Grants (Note 9)	NA	8,431,569	
83.548 Hazard Mitigation Grant (Note 9)	NA	2,310,184	
83.549 Chemical Stockpile Emergency Preparedness Program (Note 9)	NA	2,103,791	
83.551 Project Impact - Building Disaster Resistant Communities (Note 9)	NA	36,470	
83.552 Emergency Management Performance Grants (Note 9)	NA	1,457,240	
SUBTOTAL DEPARTMENT OF MILITARY AFFAIRS		16,348,465	

DEPARTMENT OF MINES AND MINERALS

U.S. Department of Labor

Direct Program:

17.600 Mine Health and Safety Grants	NA	588,012
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See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>DEPARTMENT OF MINES AND MINERALS (CONTINUED)</u>			
<u>U.S. Department of Energy</u>			
Direct Program:			
81.089 Fossil Energy Research and Development	NA	12,476	
SUBTOTAL DEPARTMENT OF MINES AND MINERALS		600,488	
<u>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET</u>			
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
10.064 Forestry Incentives Program	NA	2,056	
10.069 Conservation Reserve Program	NA	8,067	
10.652 Forestry Research	NA	200,670	
10.664 Cooperative Forestry Assistance (Note 9) (Note 13)	NA	1,251,680	3,711,090
10.901 Resource Conservation and Development	NA	700	
10.912 Environmental Quality Incentives Program	NA	14,889	
NA Section 319 Nonpoint Source Project (Note 13)	NA		43,228
<u>U.S. Department of Defense</u>			
Direct Programs:			
12.113 State Memorandum of Agreement Program for the Reimbursement of Technical Services (Note 9)	NA	370,347	
NA Chemical Demilitarization and Remediation Activity for Hazardous Waste Activities at Chemical Demilitarization Facilities	NA	23,740	
<u>U.S. Department of the Interior</u>			
Direct Programs:			
15.250 Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining (Note 9) (Note 13)	NA	12,487,989	60,390
15.252 Abandoned Mine Land Reclamation (AMLR) Program (Note 2) (Note 9)	NA	14,568,358	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency				
Federal Grantor		Pass Through	Expenditures	
CFDA #/ Program Title		Grantor's #	Cash	Non-Cash
<u>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET (CONTINUED)</u>				
<u>U.S. Department of the Interior (Continued)</u>				
Direct Programs (Continued):				
15.615	Cooperative Endangered Species Conservation Fund	NA	23,102	
NA	Joint Funding Agreements for Water Resources Investigations (Note 13)			178,760
<u>U.S. Small Business Administration</u>				
Direct Program:				
59.045	Natural Resource Development (Note 14)	NA		
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
66.001	Air Pollution Control Program Support (Note 13)	NA	1,282,283	4,386
66.419	Water Pollution Control - State and Interstate Program Support (Note 9)	NA	1,220,861	
66.432	State Public Water System Supervision	NA	621,386	
66.438	Construction Management Assistance	NA	323,527	
66.454	Water Quality Management Planning (Note 9)	NA	154,059	
66.460	Nonpoint Source Implementation Grants	NA	1,283,165	
66.461	Wetlands Protection - Development Grants (Note 9)	NA	109,698	
66.463	National Pollutant Discharge Elimination System Related State Program Grants (Note 9)	NA	128,031	
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	NA	37,255	
66.470	Hardship Grants Program Rural Communities (Note 9)	NA	491,419	
66.606	Surveys, Studies, Investigations and Special Purpose Grants (Note 13)	NA	299,403	272,715
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	NA	131,709	
66.708	Pollution Prevention Grants Program (Note 9)	NA	22,987	
66.801	Hazardous Waste Management State Program Support	NA	1,467,202	
66.802	Superfund State Site - Specific Cooperative Agreements	NA	191,695	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET (CONTINUED)</u>			
<u>U.S. Environmental Protection Agency (Continued)</u>			
Direct Programs (Continued):			
66.804 State and Tribal Underground Storage Tanks Program	NA	127,289	
66.805 Leaking Underground Storage Tank Trust Fund Program	NA	959,366	
66.808 Solid Waste Management Assistance (Note 14)	NA		
66.809 Superfund State Core Program Cooperative Agreements	NA	325,680	
Passed Through From Kentucky Infrastructure Authority:			
66.458 Capitalization Grants for State Revolving Funds (Note 2)	NA	918,216	
66.468 Capitalization Grants for Drinking Water State Revolving Fund (Note 2)	NA	778,120	
<u>U.S. Department of Energy</u>			
Direct Programs:			
81.039 National Energy Information Center	NA	4,487	
81.041 State Energy Program (Note 9)	NA	714,564	
81.052 Energy Conservation for Institutional Buildings (Note 9)	NA	51,013	
81.086 Conservation Research and Development	NA	64,936	
81.502 Paducah Gaseous Diffusion Plant Environmental Monitoring and Oversight (Note 9)	NA	614,483	
Passed Through From State of North Carolina Department of Commerce:			
81.041 State Energy Program	NA	14,905	
<u>U.S. Federal Emergency Management Agency</u>			
Direct Program:			
83.550 National Dam Safety Program (Note 14)	NA		

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through Grantor's #	Expenditures	
Federal Grantor			Cash	Non-Cash
CFDA #/ Program Title				
<u>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET (CONTINUED)</u>				
<u>U.S. Federal Emergency Management Agency (Continued)</u>				
Passed Through From Department of Military Affairs:				
83.105	Community Assistance Program - State Support Services Element (CAP-SSSE)	NA	52,990	
SUBTOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET			41,342,327	4,270,569
<u>DEPARTMENT OF PARKS</u>				
<u>U.S. Federal Emergency Management Agency</u>				
Passed Through From Department of Military Affairs:				
83.544	Public Assistance Grants	PA1163	429,561	
SUBTOTAL DEPARTMENT OF PARKS			429,561	
<u>COUNCIL ON POSTSECONDARY EDUCATION</u>				
<u>U.S. Department of Education</u>				
Direct Program:				
84.281	Eisenhower Professional Development State Grants (Note 9)	NA	717,732	
<u>U.S. Corporation for National and Community Service</u>				
Direct Programs:				
94.003	State Commissions (Note 9)	NA	70,976	
94.004	Learn and Serve America - School and Community Based Programs (Note 9)	NA	44,711	
94.006	AmeriCorps (Note 9)	NA	1,195,978	
94.009	Training and Technical Assistance (Note 9)	NA	68,642	
SUBTOTAL COUNCIL ON POSTSECONDARY EDUCATION			2,098,039	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>DEPARTMENT OF PUBLIC ADVOCACY</u>			
<u>U.S. Department of Justice</u>			
Passed Through From Justice Cabinet - Office of the Secretary:			
16.579 Byrne Formula Grant Program	99-DB-CX-0021	33,830	
Passed Through From Department of Juvenile Justice:			
16.523 Juvenile Accountability Incentive Block Grants (Note 14)	98-JB-VX-0021		
<u>U.S. Department of Education</u>			
Direct Programs:			
84.224 Assistive Technology	NA	26,091	
84.240 Program of Protection and Advocacy of Individual Rights	NA	66,181	
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
93.138 Protection and Advocacy for Individuals with Mental Illness	NA	283,124	
93.630 Developmental Disabilities Basic Support and Advocacy Grants	NA	491,081	
SUBTOTAL DEPARTMENT OF PUBLIC ADVOCACY		900,307	
<u>PUBLIC SERVICE COMMISSION</u>			
<u>U.S. Department of Transportation</u>			
Direct Program:			
20.700 Pipeline Safety	NA	360,055	
SUBTOTAL PUBLIC SERVICE COMMISSION		360,055	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through Grantor's #	Expenditures	
Federal Grantor			Cash	Non-Cash
CFDA #/ Program Title				
<u>REVENUE CABINET</u>				
<u>U.S. Department of Transportation</u>				
Direct Program:				
NA	Joint Federal/State Motor Fuel Tax Compliance Project	NA	35,047	
SUBTOTAL REVENUE CABINET			35,047	
<u>DEPARTMENT OF STATE POLICE</u>				
<u>U.S. Department of Justice</u>				
Direct Programs:				
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	NA	169,023	
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	NA	96,871	
16.607	Bulletproof Vest Partnership Program (Note 14)	NA		
16.727	Enforcing Underage Drinking Laws Program (Note 9)	NA	55,567	
NA	Drug Enforcement Administration	NA	1,552,665	
Passed Through From Justice Cabinet - Office of the Secretary:				
16.554	National Criminal History Improvement Program (NCHIP)	98-NR-CX-K044, 96-RU-RX-K001	369,315	
16.579	Byrne Formula Grant Program	Various	1,119,858	
16.592	Local Law Enforcement Block Grants Program	Various	686,216	
16.598	State Identification Systems Grant Program	99-SY-BX-0021, 98-SY-BX-0021	194,711	
<u>U.S. Department of Transportation</u>				
Direct Programs:				
20.600	State and Community Highway Safety (Note 9)	NA	2,926,818	
20.604	Safety Incentive Grants for Use of Seatbelts (Note 9)	NA	26,116	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>DEPARTMENT OF STATE POLICE (CONTINUED)</u>			
<u>U.S. Federal Emergency Management Agency</u>			
Passed Through From Department of Military Affairs:			
83.544 Public Assistance Grants	PA1310	9,071	
<u>U.S. Department of Education</u>			
Passed Through From Cabinet for Health Services:			
84.186 Safe and Drug-Free Schools and Communities - State Grants	MH-98-99-5140, MH-99-00-5140	71,266	
SUBTOTAL DEPARTMENT OF STATE POLICE		7,277,497	
<u>TRANSPORTATION CABINET</u>			
<u>U.S. Department of Transportation</u>			
Direct Programs:			
20.106 Airport Improvement Program (Note 14)	NA		
20.205 Highway Planning and Construction (Note 2) (Note 6)	NA	517,340,829	
20.218 National Motor Carrier Safety	NA	2,156,532	
20.308 Local Rail Freight Assistance (Note 14)	NA		
20.505 Federal Transit - Metropolitan Planning Grants (Note 9)	NA	283,688	
20.507 Federal Transit - Formula Grants (Note 9)	NA	462,471	
20.509 Formula Grants for Other Than Urbanized Areas (Note 9)	NA	4,305,006	
20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities (Note 9)	NA	995,615	
Passed Through From Department of State Police:			
20.600 State and Community Highway Safety	Various	10,000	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency	Pass Through	Expenditures	
Federal Grantor	Grantor's #	Cash	Non-Cash
CFDA #/ Program Title			
<u>TRANSPORTATION CABINET (CONTINUED)</u>			
<u>U.S. Department of Energy</u>			
Passed Through From Natural Resources and Environmental Protection Cabinet:			
81.041 State Energy Program	Various	4,648	
<u>U.S. Federal Emergency Management Agency</u>			
Passed Through From Department of Military Affairs:			
83.544 Public Assistance Grants	PA1163	9,684	
SUBTOTAL TRANSPORTATION CABINET		525,568,473	
<u>DEPARTMENT OF TRAVEL</u>			
<u>U.S. Appalachian Regional Commission</u>			
Direct Program:			
NA Regional Tourism Initiative	NA	32,449	
SUBTOTAL DEPARTMENT OF TRAVEL		32,449	
<u>UNIFIED PROSECUTORIAL SYSTEM</u>			
<u>U.S. Department of Justice</u>			
Passed Through From Justice Cabinet - Office of the Secretary:			
16.575 Crime Victim Assistance	Various	539,750	
16.579 Byrne Formula Grant Program	5946-N18-3/99	76,404	
16.588 Violence Against Women Formula Grants	Various	182,105	
Passed Through From Department of Juvenile Justice:			
16.523 Juvenile Accountability Incentive Block Grants	98-JB-VX-0021	29,008	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency Federal Grantor CFDA #/ Program Title	Pass Through Grantor's #	Expenditures	
		Cash	Non-Cash
<u>UNIFIED PROSECUTORIAL SYSTEM (CONTINUED)</u>			
<u>U.S. Department of Transportation</u>			
Passed Through From Department of State Police:			
20.600 State and Community Highway Safety	PS-99-02	3,233	
SUBTOTAL UNIFIED PROSECUTORIAL SYSTEM		830,500	

CABINET FOR WORKFORCE DEVELOPMENT

U.S. Department of Labor

Direct Programs:

17.002 Labor Force Statistics	NA	770,726	
17.203 Labor Certification for Alien Workers	NA	345,740	
17.207 Employment Service (Note 9)	NA	11,541,001	
17.225 Unemployment Insurance (Note 2) (Note 5) (Note 9)	NA	278,866,096	
17.245 Trade Adjustment Assistance - Workers	NA	8,109,312	
17.246 Employment and Training Assistance - Dislocated Workers (Note 2) (Note 9)	NA	6,976,868	
17.249 Employment Services and Job Training Pilots - Demonstrations and Research (Note 9)	NA	365,359	
17.250 Job Training Partnership Act (Note 2) (Note 9)	NA	24,262,993	
17.801 Disabled Veterans' Outreach Program (DVOP)	NA	704,812	
17.804 Local Veterans' Employment Representative Program	NA	865,250	
NA National Occupational Information Coordinating Committee	NA	151,510	

Passed Through From Cabinet for Families and Children:

17.253 Welfare-to-Work Grants to States and Localities (Note 14)	NA		
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U.S. Department of Education

Direct Programs:

84.002 Adult Education - State Grant Program (Note 9)	NA	7,381,927	
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See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BY STATE AGENCY
FEDERAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency		Pass Through	Expenditures	
Federal Grantor		Grantor's #	Cash	Non-Cash
CFDA #/ Program Title				
<u>CABINET FOR WORKFORCE DEVELOPMENT (CONTINUED)</u>				
<u>U.S. Department of Education (Continued)</u>				
Direct Programs (Continued):				
84.048	Vocational Education - Basic Grants to States (Note 2) (Note 9)	NA	9,394,256	
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States (Note 2) (Note 9)	NA	46,602,924	
84.161	Rehabilitation Services - Client Assistance Program	NA	124,806	
84.169	Independent Living - State Grants (Note 9)	NA	343,125	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind (Note 9)	NA	239,043	
84.187	Supported Employment Services for Individuals with Severe Disabilities	NA	518,130	
84.224	Assistive Technology (Note 9)	NA	352,975	
84.243	Tech-Prep Education (Note 9)	NA	1,465,519	
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	NA	105,953	
84.278	School-to-Work Implementation Grant (Note 9)	NA	1,135,757	
<u>U.S. Department of Health and Human Services</u>				
Passed Through From Cabinet for Families and Children:				
93.558	Temporary Assistance for Needy Families (Note 2) (Note 9)	NA	6,065,151	
Passed Through From Cabinet for Health Services:				
93.958	Block Grants for Community Mental Health Services	NA	59,000	
SUBTOTAL CABINET FOR WORKFORCE DEVELOPMENT			406,748,233	
Total Schedule of Expenditures of Federal Awards			\$ 4,578,978,051	\$ 507,694,328

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000

Note 1 - Purpose of the Schedule and Significant Accounting Policies

Purpose of the Schedule - OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a Schedule of Expenditures of Federal Awards showing each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA).

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133. As defined in the Circular, federal financial assistance “. . . means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . .” It includes awards received directly from federal agencies, or indirectly through other units of state and local governments. Accordingly, the accompanying Schedule includes both cash and non-cash federal financial assistance programs. Those programs that have not been assigned a catalog number, or for which the catalog number was not available, have been shown either at the bottom of the relevant federal grantor subheading or under the “Other Federal Assistance” subheading.

Reporting Entity - The accompanying Schedule includes all federal financial assistance programs administered by the Commonwealth of Kentucky except for those programs administered by the state universities. As allowed by the Single Audit Act Amendments of 1996 and OMB Circular A-133, the Commonwealth elected to exclude state universities from the statewide single audit, except as part of the audit of the Commonwealth’s general-purpose financial statements.

Basis of Accounting - The cash expenditures on the accompanying Schedule are presented primarily on the basis of cash disbursements as modified by the application of KRS 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed.

KRS 45.229 provides that the Finance and Administration Cabinet may, “. . . for a period of thirty (30) days after the close of any fiscal year, draw warrants against the available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during that year or in fulfillment of contracts properly made during the year, but for no other purpose.” However, there is an exception to the application of KRS 45.229 in that regular payroll expenses incurred during the last pay period of the fiscal year are charged to the next year.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 1 - Purpose of the Schedule and Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The Commonwealth's general-purpose financial statements are presented on the modified accrual or accrual basis of accounting, depending on fund type. Therefore, the Schedule of Expenditures of Federal Awards may not be directly traceable to the general-purpose financial statements in all cases.

The non-cash expenditures presented on this Schedule represent the non-cash assistance expended by the Commonwealth during the period July 1, 1999 through June 30, 2000, using the method or basis of valuation as described in the notes to the Schedule of Expenditures of Federal Awards for each program. These non-cash assistance programs are not reported in the Commonwealth's general-purpose financial statements for the year ended June 30, 2000.

The Schedules for 7 state agencies that account for 95 percent of the total cash expenditures of federal awards are presented on the modified cash basis of accounting as explained above. They are:

Department of Education

Cabinet for Families and Children

Cabinet for Health Services

Department for Local Government

Natural Resources and Environmental Protection Cabinet

Transportation Cabinet

Cabinet for Workforce Development

In addition, the Kentucky Housing Corporation, which accounts for 2 percent of the total cash expenditures of federal awards, is presented on the cash basis of accounting. The remaining state agencies' Schedules of Expenditures of Federal Awards are presented on the cash, modified cash, or accrual basis of accounting.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 1 - Purpose of the Schedule and Significant Accounting Policies (Continued)

Inter-Agency Activity - Certain transactions relating to federal financial assistance may appear in the records of more than one state agency. To avoid the overstatement of federal expenditures, the following policies were adopted for the presentation of the Commonwealth's Schedule of Expenditures of Federal Awards:

- (a) Federal moneys may be received by one state agency (primary state agency - recipient) and passed through to another state agency (secondary state agency - subrecipient) where the moneys are expended. Except for pass-throughs to state universities as discussed below, this inter-agency transfer activity is reported in the Commonwealth's Schedule of Expenditures of Federal Awards as follows:
- Under the primary state agency, the federal program is reported as a direct program. However, the transfer of money to the secondary state agency is not included in the primary state agency's expenditures.
 - Under the secondary state agency, the federal program is reported as a pass-through program. The expenditure of the transferred moneys is reported in the secondary agency's expenditures.

Because the Commonwealth's Schedule excludes federal financial assistance related to state universities, when a state agency passes federal money to a state university, this is reported as an expenditure of that state agency.

- (b) Federal moneys received by a state agency and used to purchase goods or services from another state agency are reported in the Commonwealth's schedule only by the purchasing agency as an expenditure.

Note 2 - Type A Programs

Under the provisions of OMB Circular A-133, a Type A program for the Commonwealth means any program for which total expenditures of federal awards exceeded \$14 million for FY 00. Clusters are a group of closely related programs sharing common compliance requirements. A cluster of programs shall be considered as one program for determining Type A programs. In relation to non-cash federal financial assistance programs, this threshold is generally applied to the amount of assistance expended during the year as presented on the non-cash portion of the Schedule of Expenditures of Federal Awards, plus any cash expenditures under the same CFDA designation. In the case of guarantee type programs, this threshold is applied to the value

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 2 - Type A Programs (Continued)

of new guaranteed loans/debentures during the year, plus the balance of guaranteed loans/debentures from previous years for which the federal government still imposed continuing compliance requirements during the year, plus any interest subsidy, cash, or administrative cost allowance received. In relation to revolving loan type programs, this threshold is applied to the value of new loans during the year, plus the balance of loans from previous years which were outstanding during the year, plus the amount of interest income collected during the year.

The Commonwealth had the following programs (cash and non-cash) which met the Type A program definition for the year ended June 30, 2000, some of which were administered by more than one state agency. Certain component units and agencies audited by certified public accounting firms had lower dollar thresholds. The Commonwealth identified ten clusters among the Type A programs. These Type A programs and clusters were:

CFDA #	Program Title	Expenditures
10.551	Food Stamps	\$ 337,767,068 a
10.553	School Breakfast Program	30,321,904 b
10.555	National School Lunch Program	95,618,766 b
10.556	Special Milk Program for Children	74,706 b
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	82,633,535
10.558	Child and Adult Care Food Program	22,635,698
10.559	Summer Food Service Program for Children	2,845,436 b
10.561	State Administrative Matching Grants for Food Stamp Program	27,642,701 a
11.550	Public Telecommunications Facilities – Planning and Construction	659,935
14.182	Lower Income Housing Assistance Program – Section 8 New Construction/Substantial Rehabilitation	56,356,473 c
14.228	Community Development Block Grants/State's Program	29,524,346
14.239	HOME Investment Partnerships Program	13,752,507
14.855	Section 8 Rental Voucher Program	2,693,544 d

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 2 - Type A Programs (Continued)

CFDA #	Program Title	Expenditures
14.856	Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	913,578 c
14.857	Section 8 Rental Certificate Program	5,172,616 d
14.871	Section 8 Housing Choice Vouchers	4,586,304
15.252	Abandoned Mine Land Reclamation (AMLR) Program	14,568,358
17.225	Unemployment Insurance	278,866,096
17.246	Employment and Training Assistance – Dislocated Workers	6,976,868 e
17.250	Job Training Partnership Act	24,744,035 e
20.205	Highway Planning and Construction	517,340,829
59.036	Certified Development Company Loans (503 Loans)	679,296
59.041	Certified Development Company Loans (504 Loans)	24,965,181
66.458	Capitalization Grants for State Revolving Funds	13,333,998
66.468	Capitalization Grants for Drinking Water State Revolving Fund	1,227,362
84.010	Title I Grants to Local Educational Agencies	131,122,306
84.027	Special Education - Grants to States	59,150,693 f
84.032	Federal Family Education Loans	41,674,634 g
84.048	Vocational Education – Basic Grants to States	16,614,125
84.069	Leveraging Educational Assistance Partnership	311,937
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	46,619,781
84.173	Special Education – Preschool Grants	10,407,982 f
84.203	Star Schools	1,660,374
84.340	Class Size Reduction	19,641,600
93.558	Temporary Assistance for Needy Families	197,143,467
93.563	Child Support Enforcement	39,036,003
93.568	Low-Income Home Energy Assistance	23,943,270

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 2 - Type A Programs (Continued)

CFDA #	Program Title	Expenditures
93.575	Child Care and Development Block Grant	11,992,225 h
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	36,092,479 h
93.658	Foster Care - Title IV-E	45,844,005
93.667	Social Services Block Grant	23,726,569
93.775	State Medicaid Fraud Control Units	989,371 i
93.777	State Survey and Certification of Health Care Providers and Suppliers	4,079,421 i
93.778	Medical Assistance Program	2,279,751,315 i
93.959	Block Grants for Prevention and Treatment of Substance Abuse	16,438,781
96.001	Social Security – Disability Insurance	33,106,507 j
NA	FHA/VA Insured Loans	114,554,476
Total Type A Programs		\$ 4,749,802,461

Identified clusters include:

- a – Food Stamp Cluster (Cabinet for Families and Children)
- b – Child Nutrition Cluster (Department of Education)
- c – Section 8 Project-Based Cluster (Kentucky Housing Corporation)
- d – Section 8 Tenant-Based Cluster (Kentucky Housing Corporation)
- e – JTPA Cluster (Cabinet for Workforce Development)
- f – Special Education Cluster (Department of Education)
- g – Student Financial Aid Cluster (Kentucky Higher Education Assistance
Authority, Kentucky Higher Education Student Loan Corporation)
- h – Child Care Cluster (Cabinet for Families and Children)
- i – Medicaid Cluster (Cabinet for Families and Children, Cabinet for Health
Services)
- j – Disability Insurance/SSI Cluster (Cabinet for Families and Children)

Note 3 - Federally Assisted Loan Programs

The Commonwealth has several loan programs made possible with initial advances in prior years from the federal government. In addition, the federal government guarantees some loan programs.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 3 - Federally Assisted Loan Programs (Continued)

a) The Kentucky Rural Rehabilitation Student Loan Program was initially awarded \$672,629 in 1970 by the U. S. Farmers Home Administration. Since 1970, the program has operated on interest from student loans outstanding and on income from investments administered by the Office of Financial Management. The Department of Agriculture is no longer in the business of making student loans and reassigned all loans in payment compliance to the Kentucky Higher Education Assistance Authority. The Department of Agriculture retained only those loans that had a delinquent payment history. This program is currently in phase-out status with authorization from the USDA to eliminate the principal through issuance of specific grants and scholarships. Most outstanding loans have been classified as contingent uncollectable liabilities. When loan payments are received, they are directly deposited into the principal account. The total amount of money as of the year ended June 30, 2000 in the investment account was \$913,085. Student loans earned interest of \$269 and the investment account \$52,455. Outstanding student loans totaled \$66,137. The total grants and scholarships authorized by the USDA in FY 00 totaled \$128,452.

b) The Kentucky Appalachian Enterprise Development Loan Program (a program within CFDA #23.001) had no outstanding loans for the year ended June 30, 2000. The original amount of this loan was \$210,000. No new loans were made during the year ended June 30, 2000. Loans totaling \$91,945 were written off during FY 00. The loan program was closed out as of January 22, 1998.

c) The Commonwealth Small Business Development Corporation (CSBDC) (CFDA #59.036 and 59.041) has the authority to provide fixed asset loans to small businesses located in Kentucky. Loans, which are guaranteed by the U.S. Small Business Administration (SBA), are funded by issuing debentures. At June 30, 2000, federal programs of the CSBDC had issued debentures in the principal amount of \$39,948,000 and loaned the related proceeds to various projects. In addition, the SBA transferred debentures in the principal amount of \$7,947,000 to the CSBDC. The outstanding balance of these notes is \$25,644,477. This is a guarantee program only, and the CSBDC receives no federal assistance.

d) Total moneys for the Gas System Restoration Project, administered by the Department for Local Government (CFDA #11.307), consist of \$3,150,000 from the U. S. Economic Development Administration; \$500,000 from the U.S. Appalachian Regional Commission; and \$650,000 in state matching money, for a total commitment to the revolving loan program of \$4,300,000. All monies had been received and paid out for loans as of June 30, 2000. In addition, principal and interest paid back is paid out again as loans.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 3 - Federally Assisted Loan Programs (Continued)

e) The Kentucky Higher Education Student Loan Corporation issues revenue bonds in order to purchase student loans authorized under the Federal Family Education Loans program (CFDA #84.032). The Kentucky Higher Education Assistance Authority guarantees substantially all loans made and purchased by the Kentucky Higher Education Student Loan Corporation. The U.S. Department of Education provides for reinsurance of loans guaranteed by the Authority. Outstanding loans guaranteed under this program totaled \$1,976,730,000 as of June 30, 2000.

f) The Kentucky Infrastructure Authority administers wastewater revolving loan programs (CFDA #66.458 and 66.468) funded by the U.S. Environmental Protection Agency's Capitalization Grants for State Revolving Funds. During the year ended June 30, 2000, the Authority issued loans totaling \$12,288,916, with outstanding loans of \$197,645,478 at year-end.

g) The Kentucky Housing Corporation provides mortgage bank assistance in originating and processing FHA/VA insured housing loans. Loans guaranteed under this program were \$114,554,476 during the year ended June 30, 2000. At June 30, 2000, the total book value of the loans outstanding was \$509,207,643.

Note 4 - Activity Occurring in Programs with Inventoriable Items

The Cabinet for Families and Children (CFC) is a pass-through entity for local organizations. CFC receives, stores, and distributes inventory items related to the Food Stamps (CFDA #10.551) program. In these instances, all items received are eventually distributed.

	Food Stamps CFDA #10.551
Beginning Inventory, July 1, 1999	\$ 57,691,362
Prior Year Adjustment	(7,197,935)
Current Year Receipts	71,127,966
Current Year Distributions	(71,468,082)
Transfers/Losses/Adjustments	(50,153,301)
Ending Inventory, June 30, 2000	<u>\$ 10</u>

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 4 - Activity Occurring in Programs with Inventoriable Items (Continued)

The Department of Agriculture operates a warehouse in Louisville, Kentucky for the Commodity Supplemental Food Program (CFDA #10.565). The dollar value of the inventory, based on the USDA Commodity File dated June 2000, is as follows:

	Commodity Supplemental Food Program CFDA #10.565
Beginning Inventory, July 1, 1999	\$ 225,160
Received	1,106,147
Issued to Recipients	(1,036,529)
Ending Inventory, June 30, 2000	\$ 294,778

The Cabinet for Health Services (CHS) is a pass-through entity for local organizations. CHS receives, stores, and distributes vaccine, needle, and syringe inventory items related to the Immunization Grants (CFDA #93.268) program. CHS was unable to provide an accurate inventory at June 30, 2000. See finding 98-CHS-42 in the Summary Schedule of Prior Audit Findings for further information.

Note 5 - Unemployment Insurance (CFDA #17.225)

The Commonwealth paid out \$256,954,624 in benefits during the year ended June 30, 2000. The amounts shown on the accompanying Schedule of Expenditures of Federal Awards reflect both the amount expended for benefits from the Trust Fund and an additional \$21,911,472 of federal funds expended for administration of the program, resulting in a combined total of \$278,866,096 in federal expenditures.

Note 6 - Highway Planning and Construction (CFDA #20.205)

The information reported for this program represents the activity of all open projects during the year ended June 30, 2000. These projects were funded from several apportionments. Apportionments refer to a federal, statutorily-prescribed division or assignment of funds. The expenditures reflected on the Schedule of Expenditures of Federal Awards include expenditures for advance construction projects which are not yet under agreements with the Federal Highway Administration.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 6 - Highway Planning and Construction (CFDA #20.205) (Continued)

Program Income - The Highway Planning and Construction Program earned program income of \$2,708,548 in the year ended June 30, 2000. This income was earned in the right-of-way phase through the sale and rental of real property. Income earned in this manner was classified as a negative expenditure, resulting in a reduction to federal expenditures for the current year.

Prior Year Refunds - Expenditures for the Highway Planning and Construction Program were shown net of any prior year refunds, resulting from a reimbursement of prior year expenditures. Prior year refunds totaled \$1,041,905 for the year ended June 30, 2000.

Note 7 - Outdoor Recreation - Acquisition, Development and Planning (CFDA # 15.916)

Administrative costs are shown as expended when received from the federal government. These costs are recovered through a negotiated, fixed-indirect cost rate. Any over or under recovery will be recouped in the future.

Note 8 - Joint Funding Administration

The Joint Funding Administration Program consists of grants from the following federal agencies:

CFDA #	Agency
11.302	U.S. Department of Commerce
14.219	U.S. Department of Housing and Urban Development
14.228	U.S. Department of Housing and Urban Development
16.579	U.S. Department of Justice
23.009	Appalachian Regional Commission
84.181	U.S. Department of Education

Note 9 - Subrecipient Activity

A subrecipient is a non-federal entity that expends federal awards received from a pass-through entity to carry out a federal program. The following list summarizes the amount of federal funds sent to subrecipients.

CFDA #	Federal Program Name	Amount Sent
10.550	Food Distribution	\$ 12,176,992
10.553	School Breakfast Program	30,065,488

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
10.555	National School Lunch Program	95,202,190
10.556	Special Milk Program for Children	74,706
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	1,099,712
10.558	Child and Adult Care Food Program	22,635,698
10.559	Summer Food Service Program for Children	2,745,593
10.561	State Administrative Matching Grants for Food Stamp Program	527,131
10.570	Nutrition Program for the Elderly (Commodities)	1,813,041
10.664	Cooperative Forestry Assistance	183,977
10.769	Rural Development Grants	100,000
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	8,981
14.228	Community Development Block Grants/State's Program	28,874,004
14.231	Emergency Shelter Grants Program	1,313,156
14.239	HOME Investment Partnerships Program	12,494,315
14.241	Housing Opportunities for Persons with AIDS	936,442
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	37,793
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,805,911
15.904	Historic Preservation Fund Grants-In-Aid	206,566
15.916	Outdoor Recreation - Acquisition, Development and Planning	30,936
16.523	Juvenile Accountability Incentive Block Grants	249,300
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	126,227
16.542	National Institute for Juvenile Justice and Delinquency Prevention	92,160
16.548	Title V - Delinquency Prevention Program	151,658
16.549	Part E - State Challenge Activities	25,198
16.554	National Criminal History Improvement Program (NCHIP)	396,210
16.575	Crime Victim Assistance	4,189,188
16.579	Byrne Formula Grant Program	5,867,977
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	2,672,758

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
16.588	Violence Against Women Formula Grants	1,695,022
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	80,067
16.592	Local Law Enforcement Block Grants Program	1,120,917
16.593	Residential Substance Abuse Treatment for State Prisoners	646,367
16.598	State Identification Systems Grant Program	194,711
16.607	Bulletproof Vest Partnership Program	44,935
16.727	Enforcing Underage Drinking Laws Program	55,567
17.207	Employment Service	258,637
17.225	Unemployment Insurance	9,543
17.235	Senior Community Service Employment Program	1,529,619
17.246	Employment and Training Assistance - Dislocated Workers	5,195,667
17.249	Employment Services and Job Training Pilots – Demonstrations and Research	295,270
17.250	Job Training Partnership Act	23,844,357
17.253	Welfare-to-Work Grants to States and Localities	4,922,522
20.219	Recreational Trails Program	270,090
20.505	Federal Transit - Metropolitan Planning Grants	283,688
20.507	Federal Transit - Formula Grants	462,471
20.509	Formula Grants for Other Than Urbanized Areas	4,305,006
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	995,615
20.600	State and Community Highway Safety	3,103,609
20.604	Safety Incentive Grants for Use of Seatbelts	26,116
23.002	Appalachian Area Development	100,127
23.011	Appalachian State Research, Technical Assistance, and Demonstration Projects	11,200
45.025	Promotion of the Arts - Partnership Agreements	275,195
45.310	State Library Program	715,617
66.032	State Indoor Radon Grants	63,368
66.419	Water Pollution Control - State and Interstate Program Support	1,961
66.454	Water Quality Management Planning	81,499
66.458	Capitalization Grants for State Revolving Funds	978,540
66.461	Wetlands Protection - Development Grants	108,543

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
66.463	National Pollutant Discharge Elimination System Related State Program Grants	16,406
66.468	Capitalization Grants for Drinking Water State Revolving Fund	800,302
66.470	Hardship Grant Program Rural Communities	491,419
66.708	Pollution Prevention Grants Program	22,675
81.041	State Energy Program	293,405
81.042	Weatherization Assistance for Low-Income Persons	2,210,739
81.052	Energy Conservation for Institutional Buildings	51,013
81.502	Paducah Gaseous Diffusion Plant Environmental Monitoring and Oversight	371,218
83.534	Emergency Management - State and Local Assistance	11,174
83.535	Mitigation Assistance	47,012
83.544	Public Assistance Grants	8,835,357
83.548	Hazard Mitigation Grant	2,193,383
83.549	Chemical Stockpile Emergency Preparedness Program	440,843
83.551	Project Impact - Building Disaster Resistant Communities	36,470
83.552	Emergency Management Performance Grants	305,561
84.002	Adult Education - State Grant Program	6,820,888
84.010	Title I Grants to Local Educational Agencies	129,634,826
84.011	Migrant Education - Basic State Grant Program	10,120,698
84.013	Title I Program for Neglected and Delinquent Children	683,820
84.023	Special Education - Innovation and Development	167,022
84.025	Services for Children with Deaf-Blindness	216,352
84.027	Special Education - Grants to States	56,288,365
84.048	Vocational Education - Basic Grants to States	14,523,496
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	514,102
84.162	Immigrant Education	93,018
84.169	Independent Living - State Grants	13,775
84.173	Special Education - Preschool Grants	9,774,364
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	39,873
84.181	Special Education - Grants for Infants and Families with Disabilities	1,158,024

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
84.185	Byrd Honors Scholarships	519,000
84.186	Safe and Drug-Free Schools and Communities - State Grants	8,001,877
84.194	Bilingual Education Support Services	20,430
84.196	Education for Homeless Children and Youth	430,680
84.213	Even Start - State Educational Agencies	1,821,745
84.215	Fund for the Improvement of Education	286,332
84.216	Capital Expenses	250,369
84.224	Assistive Technology	162,077
84.243	Tech-Prep Education	1,310,709
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	6,417,826
84.278	School-to-Work Implementation Grant	1,127,341
84.281	Eisenhower Professional Development State Grants	4,599,521
84.298	Innovative Education Program Strategies	5,424,160
84.318	Technology Literacy Challenge Fund Grants	2,080,349
84.323	Special Education - State Program Improvement Grants for Children with Disabilities	658,890
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	75,180
84.327	Special Education - Technology and Media Services for Individuals with Disabilities	189,048
84.332	Comprehensive School Reform Demonstration	1,947,200
84.338	Reading Excellence	1,224
84.340	Class Size Reduction	19,641,600
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	63,653
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	42,842
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	192,936
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	4,466,099
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	6,684,753

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
93.046	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	96,374
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	84,599
93.110	Maternal and Child Health Federal Consolidated Programs	146,203
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	21,000
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	63,149
93.130	Primary Care Services - Resource Coordination and Development - Primary Care Offices	26,000
93.136	Injury Prevention and Control Research and State and Community Based Programs	309,844
93.150	Projects for Assistance in Transition from Homelessness (PATH)	299,999
93.194	Community Prevention Coalitions (Partnership) Demonstration Grant	145,147
93.217	Family Planning - Services	23,000
93.230	Consolidated Knowledge Development and Application (KD&A) Program	2,694,738
93.234	Traumatic Brain Injury - State Demonstration Grant Program	47,967
93.235	Abstinence Education	5,000
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	321,830
93.245	Innovative Food Safety Projects	45,000
93.262	Occupational Safety and Health Research Grants	97,679
93.268	Immunization Grants	484,158
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	94,859
93.556	Promoting Safe and Stable Families	2,352,127
93.558	Temporary Assistance for Needy Families	18,668,239
93.563	Child Support Enforcement	19,046,299
93.568	Low-Income Home Energy Assistance	23,249,022
93.569	Community Services Block Grant	7,747,924

COMMONWEALTH OF KENTUCKY
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FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	51,078
93.575	Child Care and Development Block Grant	10,500,065
93.585	Empowerment Zones Program	4,362,875
93.597	Grants to States for Access and Visitation Programs	104,365
93.600	Head Start	68,077
93.630	Developmental Disabilities Basic Support and Advocacy Grants	103,474
93.643	Children's Justice Grants to States	70,476
93.658	Foster Care - Title IV-E	6,777,963
93.667	Social Services Block Grant	2,526,563
93.669	Child Abuse and Neglect State Grants	820,645
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	826,098
93.674	Independent Living	392,181
93.778	Medical Assistance Program	527,888
93.779	Health Care Financing Research, Demonstrations and Evaluations	312,606
93.917	HIV Care Formula Grants	125,711
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	338,127
93.931	Demonstration Grants to States for Community Scholarship	2,178
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	72,499
93.940	HIV Prevention Activities - Health Department Based	1,138,262
93.945	Assistance Program for Chronic Disease Prevention and Control	605,390
93.958	Block Grants for Community Mental Health Services	3,194,043
93.959	Block Grants for Prevention and Treatment of Substance Abuse	14,976,157
93.991	Preventive Health and Health Services Block Grant	707,848
93.994	Maternal and Child Health Services Block Grant to the States	4,157,304

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
94.003	State Commissions	70,976
94.004	Learn and Serve America - School and Community Based Programs	340,561
94.006	AmeriCorps	1,195,978
94.009	Training and Technical Assistance	68,642
94.011	Foster Grandparent Program	54,239
96.001	Social Security - Disability Insurance	3,166,358
NA	Appalachia High Intensity Drug Trafficking Area	80,943
NA	HUD Disaster Recover Initiative	537,613
NA	Joint Funding Administration	1,635,754
Total Amounts Sent to Subrecipients		\$ 727,353,689

Note 10 - Community Development Block Grants/State's Program (CFDA #14.228)

The Commonwealth matches the federal portion of administration dollar for dollar. Cash expenditures include the federal portion of administration.

Note 11 - Wildlife Restoration (CFDA #15.611)

The Department of Fish and Wildlife Resources leases properties from the U.S. Army Corp of Engineers (COE) for Condition 3 and Condition 5 Projects. These projects stipulate that the properties leased be managed for wildlife purposes and may produce income. The leases for wildlife management rights on the COE properties are non-monetary. At present, the Department of Fish and Wildlife Resources leases the following properties:

Barlow Bottoms-Olmstead
Barren River
Birdsville Island
Green River
Dewey Lake
Fishtrap Lake
Lake Cumberland
Paintsville Lake
Sloughs-Grassy Pond

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 11 - Wildlife Restoration (CFDA #15.611) (Continued)

Any expenditures in excess of revenue from each property listed above will be eligible for reimbursement under the Wildlife Restoration grant (CFDA #15.611) from the U.S. Department of the Interior. The properties listed above are not reimbursed with federal funds if the grant has already been expended to manage other wildlife properties. Since the grant was used to manage other wildlife properties, no expenditures for leased properties were federally reimbursed in FY 00.

Note 12 - Suspensions Due to Noncompliance

On May 30, 2000, the Department of Agriculture was notified by the U.S. Department of Agriculture that the WIC Farmers' Market Nutrition Program (CFDA #10.572) grant was being suspended until further notice. The reason for the suspension was the Department of Agriculture's failure to have a coupon reconciliation computer program in place. The Department of Agriculture took immediate steps to reconcile the coupon program and install a reconciliation computer program that met all federal requirements. The program was reinstated in good standing on July 3, 2000.

Note 13 - Non-Cash Expenditure Programs

The Commonwealth had 20 non-cash programs for the year ended June 30, 2000. These non-cash programs and a description of the method/basis of valuation follow.

CFDA #	State Agency	Program Title	Amount	Method/Basis of Valuation
10.550	Department of Agriculture	Food Distribution	\$ 12,176,992	USDA's value at the time of delivery to recipient agencies.
10.550	Department of Corrections	Food Distribution	52,321	Value of product received from USDA Office.
10.551	Cabinet for Families and Children	Food Stamps	337,767,068	Coupon value.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 13 - Non-Cash Expenditure Programs (Continued)

CFDA #	State Agency	Program Title	Amount	Method/Basis of Valuation
10.565	Department of Agriculture	Commodity Supplemental Food Program	1,036,529	Quantity issued to recipients valued at USDA's May 2000 prices.
10.569	Department of Agriculture	Emergency Food Assistance Program (Food Commodities)	3,215,846	USDA's value at the time of delivery to recipient agencies.
10.664	Natural Resources and Environmental Protection Cabinet	Cooperative Forestry Assistance	3,711,090	Original acquisition cost of federal surplus property.
15.250	Natural Resources and Environmental Protection Cabinet	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	60,390	Match in salaries.
39.003	Finance and Administration Cabinet	Donation of Federal Surplus Personal Property	750,514	23.3% of federal acquisition cost (\$3,221,092).
59.036	Commonwealth Small Business Development Corporation	Certified Development Company Loans (503 Loans)	679,296	Outstanding value of loans.
59.041	Commonwealth Small Business Development Corporation	Certified Development Company Loans (504 Loans)	24,965,181	Outstanding value of loans.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 13 - Non-Cash Expenditure Programs (Continued)

CFDA #	State Agency	Program Title	Amount	Method/Basis of Valuation
66.001	Natural Resources and Environmental Protection Cabinet	Air Pollution Control Program Support	4,386	EPA in-kind contribution.
66.606	Natural Resources and Environmental Protection Cabinet	Surveys, Studies, Investigations and Special Purpose Grants	272,715	EPA in-kind contribution
93.116	Cabinet for Health Services	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	77,962	Per authorized award for personnel costs and travel.
93.268	Cabinet for Health Services	Immunization Grants	7,780,634	Per authorized award for personnel and vaccine costs.
93.919	Cabinet for Health Services	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	125,000	Per authorized personnel and other costs and travel.
93.940	Cabinet for Health Services	HIV Prevention Activities - Health Department Based	63,038	Per authorized personnel and other costs.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Note 13 - Non-Cash Expenditure Programs (Continued)

CFDA #	State Agency	Program Title	Amount	Method/Basis of Valuation
93.977	Cabinet for Health Services	Preventive Health Services - Sexually Transmitted Diseases Control Grants	178,902	Per authorized personnel costs and travel.
NA	Kentucky Housing Corporation	FHA/VA Insured Loans	114,554,476	Book value of loans.
NA	Natural Resources and Environmental Protection Cabinet	Joint Funding Agreements for Water Resources Investigations	178,760	In-kind match of state contribution
NA	Natural Resources and Environmental Protection Cabinet	Section 319 Nonpoint Source Project	43,228	Match in salaries
Total Non-Cash Expenditures			<u>\$ 507,694,328</u>	

Note 14 - Zero Expenditure Programs

The programs in the schedule which reflect no expenditures for FY 00 include programs with no activity during the year, such as old programs not officially closed out or new programs issued late in the FY, and can include programs with activity other than expenditures.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of the General-Purpose Financial Statements
Performed in Accordance With
*Government Auditing Standards***

To the People of Kentucky
The Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet

We have audited the general-purpose financial statements of the Commonwealth of Kentucky as of and for the year ended June 30, 2000, and have issued our report thereon dated February 28, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Several agencies were audited for compliance and internal control requirements in accordance with *Government Auditing Standards* by other auditors, whose reports thereon have been furnished to us, and our opinion presented herein, insofar as it relates to these agencies listed in Appendix 1 to this report, is based solely or partly on the reports of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether the Commonwealth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 00-FAC-7. We also noted certain immaterial instances of noncompliance, which we have reported to management.

To the People of Kentucky
The Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commonwealth's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commonwealth's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 00-CFC-1, 00-CFC-2, 00-CFC-3, 00-FAC-4, 00-FAC-5, 00-FAC-6, 00-FAC-7, 00-CWD-8, 00-CWD-9, 00-KST-10, and 00-CWD-11.

We also noted certain reportable conditions relating to bank accounts and computer security. Due to the nature of these conditions, the related findings and recommendations will be presented separately to the Finance and Administration Cabinet and the Governor's Office for Technology.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 00-KST-10 and 00-CWD-11 to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management.

To the People of Kentucky
The Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
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This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Hatchett". The signature is fluid and cursive, with a long horizontal line extending from the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

July 27, 2001

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by the Auditor of Public Accounts



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133 and on the
Schedule of Expenditures of Federal Awards**

To the People of Kentucky
The Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet

Compliance

We have audited the compliance of the Commonwealth of Kentucky with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The Commonwealth's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on the Commonwealth's compliance based on our audit.

Several agencies were audited for internal control and compliance requirements in accordance with OMB Circular A-133 by other auditors, whose reports thereon have been furnished to us, and our opinion presented herein, insofar as it relates to these agencies listed in Appendix 1 to this report, is based solely or partly on the reports of the other auditors.

The Commonwealth's general-purpose financial statements included the operations of the state universities, which expended \$305,687,925 in federal awards that is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2000. The expenditure amount for Kentucky State University was not available and no expenditures relating to Kentucky State University have been included in the above amount. Our audit, described below, did not include the operations of the state universities because they engaged other auditors to perform an audit in accordance with OMB Circular A-133.

To the People of Kentucky
The Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Page Two

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commonwealth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commonwealth's compliance with those requirements.

In our opinion, based on our audit and the reports of other auditors, the Commonwealth complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 00-CFC-12, 00-CFC-16, and 00-CWD-23.

Internal Control Over Compliance

The management of the Commonwealth is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commonwealth's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

To the People of Kentucky
The Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Page Three

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Commonwealth's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 00-CFC-12, 00-CFC-13, 00-CFC-14, 00-CFC-15, 00-CFC-16, 00-CHS-17, 00-CHS-18, 00-CHS-19, 00-CHS-20, 00-CHS-21, 00-CHS-22, 00-CWD-23, 00-CWD-24, and 00-CWD-25.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the Commonwealth as of and for the year ended June 30, 2000, and have issued our report thereon (not presented herein) dated February 28, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements.

Several Schedules of Expenditures of Federal Awards were audited by other auditors, whose reports thereon have been furnished to us, and our opinion presented herein, insofar as it relates to these agencies listed in Appendix 1 to this report, is based solely or partly on the reports of the other auditors.

To the People of Kentucky
The Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Page Four

The general-purpose financial statements of the Commonwealth are prepared on an accrual/modified accrual basis of accounting. However, the Schedule of Expenditures of Federal Awards of the Commonwealth is prepared on the basis of cash disbursements as modified by the application of KRS 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed. Accordingly, the Schedule of Expenditures of Federal Awards is not intended to present the expenditures of federal awards in conformity with generally accepted accounting principles.

In our opinion, based on our audit and the reports of other auditors, except for the effect of the application of a different basis of accounting as explained above, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the Commonwealth's general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

July 27, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Accounts

Financial Statement Accounts: We issued an unqualified opinion on the Commonwealth’s general-purpose financial statements as of and for the fiscal year ended June 30, 2000.

Internal Control Over Financial Reporting: Our consideration of the Commonwealth’s internal control over financial reporting disclosed eleven reportable conditions. We believe that two of the reportable conditions are material weaknesses. The reportable conditions and material weaknesses, which were disclosed during our audit of the general-purpose financial statements of the Commonwealth, are applicable to the following:

<u>AGENCY</u>	<u>NUMBER & TYPE OF FINDINGS REPORTABLE</u>	<u>MATERIAL</u>
Cabinet for Families and Children (00-CFC-1, 00-CFC-2, and 00-CFC-3)	3	
Finance and Administration Cabinet (00-FAC-4, 00-FAC-5, 00-FAC-6, 00-FAC-7)	4	
Office of the Kentucky State Treasurer (00-KST-10)		1
Cabinet for Workforce Development (00-CWD-8, 00-CWD-9, and 00-CWD-11)	2	1

The reportable conditions and material weaknesses are presented in detail in Section 2 - Financial Statement Findings and Questioned Costs of the Schedule of Findings and Questioned Costs.

Compliance: In relation to the audit of the Commonwealth’s general-purpose financial statements, and the Schedule of Expenditures of Federal Awards, the results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

<u>AGENCY</u>	<u>NUMBER & TYPE OF FINDINGS REPORTABLE</u>	<u>MATERIAL</u>
Finance and Administration Cabinet (00-FAC-7)	1	

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS (CONTINUED)

Federal Awards and Schedule of Expenditures of Federal Awards

Compliance: We issued an unqualified opinion on the Commonwealth’s compliance with the requirements applicable to each of its major federal programs. However, the results of our auditing procedures disclosed three instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133. These findings are applicable to the following agencies of the Commonwealth:

<u>AGENCY</u>	NUMBER OF FINDINGS
Cabinet for Families and Children (00-CFC-12 and 00-CFC-16)	2
Cabinet for Workforce Development (00-CWD-23)	1

The findings relative to compliance with requirements applicable to each of its major federal programs are presented in Section 3 - Federal Awards Findings and Questioned Costs of the Schedule of Findings and Questioned Costs.

Internal Control Over Compliance: Our consideration of the Commonwealth’s internal control over compliance disclosed fourteen reportable conditions. We believe that none of the reportable conditions are material weaknesses. The reportable conditions, which were disclosed during our audit, are applicable to the following agencies of the Commonwealth:

<u>AGENCY</u>	<u>NUMBER & TYPE OF FINDINGS</u>	
	<u>REPORTABLE</u>	<u>MATERIAL</u>
Cabinet for Families and Children (00-CFC-12, 00-CFC-13, 00-CFC-14, 00-CFC-15, and 00-CFC-16)	5	
Cabinet for Health Services (00-CHS-17, 00-CHS-18, 00-CHS-19, 00-CHS-20, 00-CHS-21, and 00-CHS-22)	6	
Cabinet for Workforce Development (00-CWD-23, 00-CWD-24, and 00-CWD-25)	3	

The reportable conditions relative to the Commonwealth's internal control over compliance are presented in Section 3 - Federal Awards Findings and Questioned Costs of the Schedule of Findings and Questioned Costs.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS (CONTINUED)

Federal Awards and Schedule of Expenditures of Federal Awards (Continued)

Schedule of Expenditures of Federal Awards: We issued a qualified opinion on the Commonwealth’s Schedule of Expenditures of Federal Awards because the schedule was presented on a basis of accounting that was not in conformance with generally accepted accounting principles as described in Note 1 of the schedule. The opinion was issued in relation to the Commonwealth’s general-purpose financial statements taken as a whole.

Identification of Major Programs Audited

OMB Circular A-133 defines a major program as “a Federal program determined by the auditor to be a major program in accordance with section __.520 or a program identified as a major program by the Federal awarding agency or pass-through entity in accordance with section __.215 (c).” Section __.520 states, “[t]he auditor shall use a risk-based approach to determine which Federal programs are major programs.” The following is a list of major Type A programs audited:

CFDA #	Program Title	Expenditures
10.551	Food Stamps	\$ 337,767,068 a
10.553	School Breakfast Program	30,321,904 b
10.555	National School Lunch Program	95,618,766 b
10.556	Special Milk Program for Children	74,706 b
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	82,633,535
10.558	Child and Adult Care Food Program	22,635,698
10.559	Summer Food Service Program for Children	2,845,436 b
10.561	State Administrative Matching Grants for Food Stamp Program	27,642,701 a
11.550	Public Telecommunication Facilities-Planning and Construction	659,935
14.182	Lower Income Housing Assistance Program – Section 8 New Construction/Substantial Rehabilitation	56,356,473 c
14.228	Community Development Block Grants/State’s Program	29,524,346
14.239	HOME Investment Partnerships Program	13,752,507
14.855	Section 8 Rental Voucher Program	2,693,544 d
14.856	Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	913,578 c

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS (CONTINUED)

Identification of Major Programs Audited (Continued)

CFDA #	Program Title	Expenditures
14.857	Section 8 Rental Certificate Program	5,172,616 d
14.871	Section 8 Housing Choice Vouchers	4,586,304
15.252	Abandoned Mine Land Reclamation (AMLR) Program	14,568,358
17.225	Unemployment Insurance	278,866,096
17.246	Employment and Training Assistance– Dislocated Workers	6,976,868 e
17.250	Job Training Partnership Act	24,744,035 e
20.205	Highway Planning and Construction	517,340,829 k
59.036	Certified Development Company Loans (503 Loans)	679,296
59.041	Certified Development Company Loans (504 Loans)	24,965,181
66.458	Capitalization Grants for State Revolving Funds	13,333,998
66.468	Capitalization Grants for Drinking Water State Revolving Funds	1,227,362
84.010	Title I Grants to Local Educational Agencies	131,122,306
84.027	Special Education-Grants to States	59,150,693 f
84.032	Federal Family Education Loans	41,674,634 g
84.048	Vocational Education Basic Grants to States	16,614,125
84.069	Leveraging Educational Assistance Partnership	311,937
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	46,619,781
84.173	Special Education – Preschool Grants	10,407,982 f
84.203	Star Schools	1,660,374
84.340	Class Size Reduction	19,641,600
93.558	Temporary Assistance for Needy Families	197,143,467
93.563	Child Support Enforcement	39,036,003
93.568	Low-Income Home Energy Assistance	23,943,270
93.575	Child Care and Development Block Grant	11,992,225 i
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	36,092,479 i
93.658	Foster Care-Title IV-E	45,844,005

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS (CONTINUED)

Identification of Major Programs Audited (Continued)

CFDA #	Program Title	Expenditures
93.667	Social Services Block Grant	23,726,569
93.775	State Medicaid Fraud Control Units	989,371 h
93.777	State Survey and Certification of Health Care Providers and Suppliers	4,079,421 h
93.778	Medical Assistance Program	2,279,751,315 h
93.595	Block Grant for the Prevention and Treatment of Substance Abuse	16,438,781
96.001	Social Security–Disability Insurance	33,106,507 j
NA	FHA/VA Insured Loans	114,554,476
	Total Type A Programs	<u>\$4,749,802,461</u>

No Type B programs were audited in fiscal year 2000 (FY 00).

Identified clusters include:

- a – Food Stamp Cluster (Cabinet for Families and Children)
- b – Child Nutrition Cluster (Department of Education)
- c – Section 8 Project-Based Cluster (Kentucky Housing Corporation)
- d – Section 8 Tenant-Based Cluster (Kentucky Housing Corporation)
- e – JTPA Cluster (Cabinet for Workforce Development)
- f – Special Education Cluster (Department of Education)
- g – Student Financial Aid Cluster (Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation)
- h – Medicaid Cluster (Cabinet for Health Services)
- i – Child Care Cluster (Cabinet for Families and Children)
- j – Disability Insurance/SSI Cluster (Cabinet for Families and Children)
- k – Highway Planning and Construction Cluster (Transportation Cabinet)

Dollar Threshold Used to Distinguish Between Type A and Type B Programs

The maximum dollar threshold used to distinguish between Type A and Type B Programs was \$14,000,000. Certain component units and agencies audited by certified public accounting firms had lower dollar thresholds. No Type B programs were audited in FY 00.

Auditee Qualify as Low-Risk Auditee?

The Commonwealth did not qualify as a low-risk auditee.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Reportable Conditions Relating to Internal Controls and/or Reportable Instances of Noncompliance:

FINDING 00-CFC-1: The Cabinet For Families And Children Should Monitor The Division Of Child Support Enforcement's Contract With Tier Technologies

State Agency: Cabinet for Families and Children

Cabinet for Families and Children (CFC) contracts with Tier Technologies (Tier) as the central collection unit for collecting, processing, and depositing child support payments. During FY 00, Tier processed 75%, or \$178,037,555, of CFC's total child support collections and collected \$1,725,013 in fees for providing these services to the state. During our audit, we noted that CFC does not monitor the collection process at Tier to ensure compliance with contractual provisions. We also noted there is no audit of the contractor's daily operations by an independent accounting firm.

CFC's failure to monitor Tier's compliance with contract provisions increases the risk weaknesses existing in internal controls would go undetected. CFC does not have assurance the existing internal controls are suitably designed to achieve the control objectives, as specified in the contract, nor do they know if controls were operating with sufficient effectiveness to provide reasonable assurance CFC's objectives were met.

CFC has oversight responsibility to ensure contract provisions are met and controls over collections are adequate to safeguard child support monies. The contract between CFC and Tier states, "[a]ll services performed under contract shall be in accordance with the terms and provisions of the contract. It will be the agency's responsibility to insure that such services rendered are performed and acceptable."

Recommendation

We recommend CFC implement a system for monitoring Tier:

- CFC should have a system in place to monitor contract compliance to ensure controls are in place and contract provisions are being met.
- CFC should require Tier to have, at a minimum, a biennial audit of its daily operations by an independent accounting firm.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CFC-1: The Cabinet For Families And Children Should Monitor
The Division Of Child Support Enforcement's Contract With Tier Technologies
(Continued)**

Management's Response and Corrective Action Plan

We have monitored Tier Technology's operation of the centralized collection process through monthly activity reports we require the vendor to submit each month and periodic meetings with Tier staff to discuss operational issues. However, we agree that a monitoring system should be in place to monitor contract compliance. On February 1, 2001, [a CFC representative] will be meeting with the Director of the Division of Outcome Based Contracts. As this office is responsible for contract monitoring, [The representative] will request that this office begin to monitor the Tier contract as recommended. Additionally, we will request the Division of Outcome Based Contracts make arrangements for a bi-annual audit.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CFC-2: The Cabinet For Families And Children Should
Implement Cash Controls To Strengthen The Collections Process At Tier
Technologies**

State Agency: Cabinet for Families and Children

CFC contracts with Tier as the central collection unit to process and deposit child support payments. Funds collected by Tier are posted to the Kentucky Automated Support and Enforcement System (KASES) and deposited into a temporary deposit account prior to being wire transferred to Treasury.

We reviewed the collection process at Tier and noted the following weaknesses:

- Tier does not have a safe to secure monies that are not deposited the day of receipt. Monies collected by Tier during weekend hours or monies not deposited the day of receipt are held in a locked desk drawer until deposit on the next business day.
- Tier does not process cash payments; cash payments are mailed to personnel at CFC for deposit into Treasury. CFC does not have an adequate system in place to process cash payments.

An inadequate cash control system increases the risk of loss due to theft or misappropriation.

Good internal controls over cash dictate that monies should be securely held until deposited. Where feasible, deposits should be made daily. If this is not possible, monies should be placed in a lockable, fireproof safe until deposited in Treasury.

The contract between CFC and Tier says Tier is to “[d]evelop and maintain an accounting system for daily posting of all collections received.” This should include a system for processing cash payments.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CFC-2: The Cabinet For Families And Children Should
Implement Cash Controls To Strengthen The Collections Process At Tier
Technologies (Continued)**

Recommendation

We recommend CFC implement and enforce the following procedures to strengthen cash controls and to ensure all child support monies are secured:

- Tier should place all monies that are not processed and deposited the same business day in a lockable, fireproof safe until such time that they can be deposited in Treasury.
- Tier should have cash controls in place adequate to account for and safeguard cash received for child support payments. As explicitly mentioned in the contract, Tier has the responsibility to process and deposit “all collections received.” While cash payments may be discouraged by the agency, cash payments should not be denied or excluded as a medium of exchange in collecting child support payments.
- Tier should not mail cash received to CFC under any circumstances.

Management’s Response and Corrective Action Plan

We agree with the recommendations to strengthen cash controls of child support collections by Tier’s centralized collection unit. Tier now has a fire proof, lockable safe in which all cash receipts are placed. Also, Tier now has cash controls in place where all cash receipts are deposited daily in a local bank by the Manager or Assistant Manager. These deposits are transferred electronically to CFC. Tier staff have been instructed not to mail cash to CFC under any circumstances.

**COMMONWEALTH OF KENTUCKY
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CFC-3: The Cabinet For Families And Children Should
Implement A System For Identifying Specific Expenditure Types Within MARS**

State Agency: Cabinet for Families and Children

During our audit, we noted CFC does not segregate expenditures for procurements of goods and services, personal service contracts, or Memoranda of Agreement. We attempted to separate the different expenditure types for testing purposes, as different controls are present for each. However, because CFC does not have a system in place to track expenditures, we were unable to verify the amounts and test the controls for these types of transactions.

According to the Finance and Administration Cabinet (FAC) contracts that are encumbered, such as personal service contracts, have full referenced history in Management Reporting Database (MRDB) Advantage tables. Memoranda of Agreement are master agreements that send no reference information to Advantage. One would have to go to Procurement Desktop (PD) tables to pick up the master agreements and related referencing payment transactions. This PD information is designed to reside in MRDB, but there are technical difficulties in creating the daily update for MRDB.

KRS 171.640 states, “[t]he head of each state or local agency shall cause to be made and preserved records containing adequate and proper documentation of the . . . essential transactions of the agency . . .”

Good internal controls dictate expenditure documents are backed up with adequate source documentation that would allow the APA or other interested parties a means to verify expenditures.

The failure to establish proper controls to ensure the accuracy and completeness of data processing and output can result in incomplete or inaccurate system information and could affect any related payments.

Recommendation

CFC should implement a system for identifying specific expenditure types within MARS. If this is not possible, CFC should develop a method for tracking different types of expenditures. A reporting mechanism should be established so MRDB reports are readily available.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CFC-3: The Cabinet For Families And Children Should
Implement A System For Identifying Specific Expenditure Types Within MARS
(Continued)**

Management's Response and Corrective Action Plan

The weakness identified in the response refers to a lack of segregation of expenditures by the Cabinet. [CFC] cannot agree to this statement as you can see listed below we code all contracts in the manner that will identify the types of transactions identified:

<i>Personal Service Contracts</i>	<i>E-150</i>	
<i>Consultant Contracts</i>	<i>E-170</i>	
<i>Child Support Contracts</i>	<i>E-399</i>	
	<i>E-422</i>	
<i>Program Administration Contracts</i>	<i>E-415</i>	
<i>Total Expenditures</i>	<i>E-140</i>	<i>\$ 52,649,953.09</i>
<i>Total Expenditures</i>	<i>E-410</i>	<i>\$178,162,767.99</i>

Verification of expenditures for each of these categories should be available from MRDB by creating reports that have parameters set matching the appropriate object codes. This information is also available from the Financial Accounting System (FAS).

The audit response also refers to a lack of ability to tie expenditures to document type. [CFC does] not see how [it] can be held responsible for limitations of the MARS system. It is [our] understanding that this is being corrected in the future. [We] suggest the Auditor of Public Accounts work with the Division of Statewide Accounting to insure the proper changes to the system are completed that will satisfy auditing requirements for all agencies.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CFC-3: The Cabinet For Families And Children Should
Implement A System For Identifying Specific Expenditure Types Within MARS
(Continued)**

Auditor's Reply

The APA was in contact with CFC and FAC continuously throughout this test. We were not provided with a total population for Personal Service Contracts, Memoranda of Agreement or Procurements by the agency. Furthermore, the information provided in the response to this finding was not made available to our staff during testing. Even if the information had been available, it does not address the questions we have concerning the verification of expenditures for the various transaction types. Finally, the agency fails to provide any information in its response related to Personal Service Contracts (E-150); Consultant Contracts (E-170); Child Support Contracts (E-399, E-422); and Program Administrative Contracts (E-415). Please note that E140 is not a valid object code within MARS. Further, object code E410 is designated for "Public Defender Fees, which would not be applicable to this finding.

We enlisted the assistance of FAC, which attempted to provide us with a spreadsheet summarizing Personal Service Contracts and Memoranda of Agreement. However, FAC disclosed that if a payment were made by the agency related to the contract, but the agency entered the payment in such a manner that it did not reference the contract, the payment would be omitted from the spreadsheet. FAC also noted that if the contract, either the original or a modification, contained an inaccurate sub-type, all related payments would be omitted. Thus, as we have commented, the agency was not able to verify sufficiently what amounts applied to the various transaction types.

We look forward to working with both CFC and FAC in the FY 01 audit to resolve this problem.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-4: The Office Of Financial Management Should Reconcile
MARS And CAMRA Monthly To Ensure Agreement Between The Two Systems**

State Agency Finance and Administration Cabinet

Information in the Complete Asset Management Reporting and Accounting System (CAMRA), a computer system maintained by the Office of Financial Management (OFM), did not agree to the information in MARS at June 30, 2000. When FAC reconciled CAMRA and MARS at the end of the fiscal year, the reasons for the differences included cash receipt documents (C1s) not being entered in MARS, investment purchase documents (MWIs) not being entered in MARS, and accrued interest, premium, and/or discounts being improperly recorded. The information in CAMRA agreed to the information provided by Farmers Bank and the Bank of New York and therefore was assumed to be correct. FAC corrected the errors in MARS through several Journal Vouchers (JVs).

Also, the C1 and MWI documents used by OFM follow a numerical series from one to infinity. During our review, we found several documents had been entered and approved with typographical errors in the document number field. In addition, several document numbers in the series were inadvertently overlooked.

Reconciliation between MARS and CAMRA is time consuming and difficult. The errors relating to the incorrect recording of premiums, discounts, and accrued interest were corrected in one JV, which adjusted the MARS balance to CAMRA due to the time and difficulty of locating the specific errors.

At times, there was additional money in the state's bank account with no corresponding C1 document recording the money's existence in MARS. Treasury compares the C1 documents with deposit tickets provided by Farmers Bank. Treasury is supposed to get copies of all deposit tickets. Apparently there was some confusion in FY 00 which resulted in C1 documents not being entered.

At other times, money left the state's bank account, with no corresponding MWI recording the transaction in MARS. The transfer of money out of the state's bank account, when an investment is purchased, is triggered by the Investment Memo, not the MWI document. FAC does not review the Investment Memo prior to releasing the MWI documents to ensure all transactions have been recorded appropriately.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-4: The Office Of Financial Management Should Reconcile
MARS And CAMRA Monthly To Ensure Agreement Between The Two Systems
(Continued)**

Reports based on document number type or a sequential numbering system will not show documents with typographical errors in the document field.

Good internal controls should ensure all cash receipts, investment purchases, premiums, discounts, and accrued interest are recorded properly in the Commonwealth's accounting system.

Documents with typographical errors in the document field should not be approved by FAC. The use of a sequential numbering system for documents simplifies locating documents and determining where they originated easier.

Recommendation

We recommend OFM ensure a reconciliation between MARS and CAMRA be done on a monthly basis to catch errors in a timely manner. We also recommend FAC personnel approving the MWI documents receive a copy of the Investment Memo and ensure the information entered in MARS agrees with the Investment Memo (the source document for the MWI) prior to final approval of the MWI.

We recommend OFM consider turning on the feature in MARS that automatically enters the document number in the document number field.

Also, OFM personnel should receive training on the recording of premiums, discounts, and accrued interest in MARS.

Maintaining a log of MWIs, C1s, the Committee on Uniform Securities Identification Procedures (CUSIP) number, and amount each MWI and C1 pertains to would be a good way to reconcile monthly.

Management Response and Corrective Action Plan

OFM concurs that monthly reconciliation is a good idea and will initiate discussions with the Finance and Administration Cabinet to determine their views. OFM believes keeping sequential numbering is an aid to control and tracking that manual entry promotes that. Training has been provided as suggested and OFM believes those problems have been resolved.

**COMMONWEALTH OF KENTUCKY
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-5: The Finance And Administration Cabinet Should
Establish Procedures For Performing A Statewide Physical Inventory And
Implement Controls For Proper Accounting And Reporting Of Fixed Assets**

State Agency: Finance and Administration Cabinet

During the audit of fixed assets, we noted weaknesses in internal control related to the conversion of fixed asset records from STARS into MARS. First, agencies were initially given instruction that equipment conversions should be complete by November 22, 1999. However, we noted during the course of our audit that several agency conversions still had not been submitted. Although FAC Fixed Assets Branch was able to obtain and load most agency conversion files prior to the end of the audit, nineteen agencies had not been converted, one of which had fixed assets in excess of \$43,000,000. The failure to require timely submissions of equipment conversions led to an omission of approximately \$1,627,367 in fixed assets, as well as the required \$43,000,000 manual adjustment.

Furthermore, we compared FY 00 beginning asset balances in MARS to FY 99 ending balances in STARS. We noted significant differences and investigated them to determine the nature. It appears that during the conversion process, some agencies brought assets into the MARS system that had never been recorded in STARS. Also, some assets previously recorded in STARS were not carried forward into the MARS beginning balance. This created significant variances in the beginning MARS balance.

There appears to be no central system of controls to isolate and correct variances. There were no procedures in place to determine whether the differences were actual prior year disposals and additions that had not been recorded, or whether the differences were errors made by agencies in converting their assets. Although FAC may have instructed agencies not to perform record maintenance during the conversion process itself, it appears most agencies made changes during the conversion and the conversion files were accepted without exception.

The lack of controls over the conversion process created significant reconciling differences. FAC could not determine whether these differences were related to prior year recording errors or errors in the agency conversion because there were no verification procedures in place. There is an increased risk of significant unknown errors in the equipment balance in future periods unless the proper controls and procedures are implemented.

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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-5: The Finance And Administration Cabinet Should
Establish Procedures For Performing A Statewide Physical Inventory And
Implement Controls For Proper Accounting And Reporting Of Fixed Assets
(Continued)**

Proper internal control dictates procedures should be in place to ensure the timeliness, existence, completeness, and accuracy of fixed assets reported by the Commonwealth.

Recommendation

We recommend the following:

- FAC obtain and load into MARS all outstanding conversions.
- FAC establish systematic procedures for implementing a statewide physical inventory. Procedures should include establishing a timeline for completion, procedures for performing the inventory count, and procedures for making necessary adjustments to the records as a result of the inventory results.
- FAC implement controls for a periodic verification of fixed asset records and assist agencies with consistent accounting and reporting of fixed assets.

Management's Response and Corrective Action Plan

Division of Statewide Accounting Services will load outstanding conversions into the MARS system. Currently, policies and procedures are being developed for the physical inventory of fixed assets. Procedures will address the timeline for completion, procedures for performing the inventory count, and necessary adjustments to the system. Also, controls will be implemented to verify fixed asset records periodically. Statewide Accounting Services will continue to provide agency training through the Annual Financial Closing Package, Customer Resource Center (CRC) fixed asset training classes, and site specific training upon agency request.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-6: The Office Of Financial Management Should Improve
Control Procedures Over Modifications To System Programs**

State Agency: Finance and Administration Cabinet

OFM has not developed and implemented formalized policies and procedures for control of program modifications for batch programs that feed into CAMRA, which is used to process Commonwealth investments. CAMRA software is purchased from an external vendor. Our prior year audit revealed OFM followed adequate procedures concerning testing and implementation of their new version of CAMRA. However, they have several critical batch programs that provide data to CAMRA, as well as providing data from CAMRA to MARS. These batch programs are maintained by OFM. Formal policies and procedures were not developed and implemented to ensure all program modification requests were documented, monitored, tested, and properly approved prior to being placed into production.

In the past, CAMRA related batch programs were Access and Excel macro programs maintained by one OFM employee. Some documentation was placed within the programs to describe the process. Otherwise, there was very little other documentation on the various batch programs. The employee maintaining the programs held most of that knowledge. That individual left the employment of OFM in February 2000. Prior to the employee leaving OFM, he made changes to several programs and provided some hands-on training for an OFM employee hired as a replacement. However, no documentation was developed to ensure OFM management or any subsequent employees would have descriptions of objectives of the various programs or how they should be processed. Furthermore, many of these batch programs are currently being rewritten in a different reporting language by another current OFM employee. Since the agency intends to continue to update or change these programs, it is imperative they ensure adequate program change controls are implemented and adequate documentation is maintained.

Formalized program modification policies and procedures are needed to ensure consistent procedures are followed for authorization and approval of program changes, development of technical and user documentation, user training, testing requirements, tracking of requests, transfer of changes into production, and an audit trail of program changes.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-6: The Office Of Financial Management Should Improve
Control Procedures Over Modifications To System Programs (Continued)**

Without formalized controls over program modifications, management increases the risk that incorrect or unauthorized changes could be moved into production and adversely affect system processing. Also, without a formal documented system for tracking program modifications, it would be difficult for OFM to know the status of requested changes or if they are being billed for services they did not request. Finally, adequate system documentation is needed to ensure that OFM management as well as current and future employees, are aware of the functions these programs execute.

Recommendation

We recommend OFM management ensure development and implementation of formal written program modification control procedures. The procedures should address the following issues:

- Tracking of program change requests and completion.
- Testing requirements.
- Authorization and approval of changes.
- Technical and user documentation.
- Control of program transfers to production.
- User training.

Management's Response and Corrective Action Plan

OFM concurs with the recommendations.

OFM is in the process of developing and implementing a new interface with CAMRA version 2.0 in a "stand alone" mode, whereby the production system can not be affected. The process being followed is an informal one and is detailed below. Once the system is ready for production formal procedures consistent with the recommendations will be established. The new interface is creating a Data Warehouse to replace the current ACCESS EXCEL system and is being written utilizing Statistical Analysis System as the language. Appropriate documentation is being developed at each step of the process. The new system is being extensively tested, checked for accuracy, monitored and approved at each stage of development. OFM expects to begin "side-by-side" (parallel) testing and evaluation within the next several weeks. The test results will be documented and the information will be available for review. Once the CAMRA 2.0 interface and

**COMMONWEALTH OF KENTUCKY
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**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-6: The Office of Financial Management Should Improve
Control Procedures Over Modifications to System Programs (Continued)**

Management's Response and Corrective Action Plan (Continued)

Data Warehouse has been successfully tested, CAMRA 3.5 will be installed, developed, tested and implemented using the same process. Once we are assured that the interface and Data Warehouse is operating correctly, we will implement CAMRA 3.5, the new Data Warehouse, and interface as the production system. Both the Data Warehouse and interface with CAMRA 2.0 and CAMRA 3.5 have been and will conform to the recommendations.

**COMMONWEALTH OF KENTUCKY
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-7: The Finance And Administration Cabinet Should Monitor
Cash Management Improvement Act Eligible Projects To Ensure They Are
Properly Recorded In MARS**

State Agency: Finance and Administration Cabinet

During our review of compliance with the Cash Management Improvement Act of 1990 (CMIA) for FY 00 reportable projects, we noted that procedures were not being consistently followed to establish the projects and their funding within MARS. The prescribed method of establishing CMIA reportable projects and their funding is within the MARS Advanced Projects and Grants Training manual. According to this manual, if a CFDA grant is listed in the Treasury-State Agreement (TSA), then all projects associated with that CFDA should have the CMIA Eligible toggle button switched to “Yes” within the Agency Project table. Further, there are three valid billing cycles for these projects: Composite Clearance, Zero Balance Accounting (ZBA), and Zero Balance Accounting – Account ClearingHouse (ZBA-ACH). The applicable billing cycle should be set up within the Project Funding Source table.

Through a review of the Management Reporting Database (MRDB) MREP.ADV_AGENCY_PROJECT table, the auditors determined that the process of setting the CMIA Eligible toggle button (flag) to “Yes” was not followed consistently. In addition, the administrators at FAC level were not monitoring CMIA related projects to ensure that only those projects associated with reportable CFDA’s within the TSA for FY 00 were listed as CMIA eligible.

There were 5,226 projects on the MRDB MREP.ADV_AGENCY_PROJECT table with the CMIA Eligibility flag switched. However, there were 414 of these projects, or 7.9 percent, which were associated with CFDAs that are not listed on the TSA for FY 00. In addition, there were 491 projects designated CMIA reportable based on the TSA, but not properly designated as CMIA eligible on the ADV_AGENCY_PROJECT table.

Further, while reviewing the MRDB MREP.ADV_PROJECT_FUND_SOURCE table, it became apparent that not all the projects associated with the CMIA reportable CFDA’s had corresponding project funding source information in this table. Since the Billing Cycle field within the ADV_PROJECT_FUND_SOURCE table holds a character that indicates what type of clearance pattern to use, projects without funding source information will not be routed through the Project Billing process. There were 494 projects without a corresponding record in the ADV_PROJECT_FUND_SOURCE table.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-7: The Finance And Administration Cabinet Should Monitor
Cash Management Improvement Act Eligible Projects To Ensure They Are
Properly Recorded In MARS (Continued)**

Through an extraction of data from the MRDB MREP.FCT1_EXPENDITURE table, we identified 34 projects, or 6.9 percent of the 494 projects noted above, that had \$3,130,754.51 in expenditures processed to them during the existence of MARS that were eligible for reimbursement. After a review of all transactions associated with these projects, there were 13 projects, or 2.6 percent with \$74,732.11 in eligible expenditures that had not been reimbursed.

Finally, there was no review of the MRDB MREP.ADV_PROJECT_FUND_SOURCE table for CMIA reportable projects to ensure the accuracy of the billing cycles chosen. During the review of available billing cycle information, it was found there were two CFDA's with problems concerning a billing designation other than that shown on the TSA: Family Support Payments to States – Assistance Payments (CFDA #93.560) and Highway Planning and Construction (CFDA #20.205). CFDA #93.560 was combined with CFDA #93.561 to create CFDA #93.558. Therefore, those projects associated with CFDA #93.560 should have been transferred to CFDA #93.558. There were no transactions associated with these projects for FY 00; however, since there are still projects associated with CFDA #93.560, any future associated expenditures and reimbursements could potentially be excluded from CMIA reporting.

For the CFDA #20.205, the projects were supposed to be established as Composite Clearance ("O"), but there were 13 projects with "M" (Monthly) and "W" (Weekly) indicators. Two of these projects had expenditures totaling \$27,584.64 that should have been reimbursed through the prescribed Composite Clearance pattern for FY 00. Instead, these expenditures were associated with the monthly billing cycle. Therefore, funding for these projects was not in compliance with the TSA entered into by FAC for FY 00.

Ultimately, the accuracy and completeness of the information within MARS is the responsibility of FAC. To ensure the information to be reported annually to the U.S. Treasury under the requirements of CMIA is available and correct, FAC must ensure all federal project information maintained within MARS is accurate and complete.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-7: The Finance And Administration Cabinet Should Monitor
Cash Management Improvement Act Eligible Projects To Ensure They Are
Properly Recorded In MARS (Continued)**

Recommendation

We recommend FAC begin monitoring the establishment of projects within MARS to ensure the completeness and accuracy of this information. This function should include, but not be limited to:

- Periodic review of the MREP.ADV_AGENCY_PROJECT table to ensure all projects related to CMIA reportable CFDA's are properly noted with the CMIA-Eligibility flag.
- Periodic review of all projects with the CMIA-Eligibility flag switched on the MREP.ADV_AGENCY_PROJECT table to ensure they are associated with CFDA's that appear on the TSA for the current year.
- Periodic review of the MREP.ADV_PROJECT_FUND_SOURCE table to ensure all CMIA reportable projects have been given the proper Billing Cycle designation.

Further, FAC should review those projects that had non-reimbursed expenditures. If these expenditures have not been reimbursed, FAC should work with the agencies involved to resolve these outstanding expenses.

Management's Response and Corrective Action Plan

The strategies to be followed by the Division of Statewide Accounting Services to ensure the completeness and accuracy of projects in the system are as follows:

- *Require agencies to certify that the projects upon which we are calculating CMIA interest represent a complete listing of projects associated with TSA-applicable CFDA numbers.*
- *Verify that the CFDA numbers carried on the Agency Project Inquiry are valid by comparing to a list of CFDA numbers that is known to be valid.*

**COMMONWEALTH OF KENTUCKY
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-FAC-7: The Finance And Administration Cabinet Should Monitor
Cash Management Improvement Act Eligible Projects To Ensure They Are
Properly Recorded In MARS (Continued)**

Management's Response and Corrective Action Plan (Continued)

- *Verify that projects associated with TSA-applicable CFDA numbers have been set up as “participating” (in automated billing). Require agencies to explain such projects that have been set up as non-participating.*
- *Verify that participating projects associated with TSA-applicable CFDA's are set up on the Project Funding Source inquiry to use billing cycles that are consistent with those specified in the TSA agreement.*

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CWD-8: The Division Of Unemployment Insurance Should
Perform Regular Cash Reconciliations To Safeguard Assets**

State Agency: Cabinet for Workforce Development

During the FY 00 Unemployment Insurance Cash audit, we found reconciliations to the bank and FAC MARS reports are still not being completed. The agency had not performed reconciliations to the bank for the Tax Collections cashbook at all and for the Benefits cashbook after October 1999. They had attempted reconciliations for both cashbooks to MARS; however, for most months there were undetermined amounts unreconciled.

We conclude the agency's response to the **prior year audit finding** has been materially misrepresented since management has not corrected these deficiencies.

The auditors noted an example of the effect of lack of reconciliations. The items listed below caused cash to be misstated at year-end.

- The auditors noted three instances where balances for certain types of receipts and disbursements had not been included. Since these monies were reimbursed periodically, the agency believed they did not affect the cash balance. This caused the balance to be understated by \$732,885.
- A transfer to the Service Capacity Upgrade Fund (SCUF) occurred before June 30. However, it was not recorded on the cashbook until July. This caused the balance to be overstated by \$1,587,175.
- Cash was understated by \$2,155 because a transaction was not recorded until the following month.
- A transfer in the amount of \$10,957 between funds 6200 and 6210 was not posted to the cashbook.

The net effect of these misstatements caused cash to be overstated by \$852,134.

The lack of frequently recurring reconciliations allows errors or misappropriations or both to go uncorrected indefinitely. It also interferes with management's ability to assure the accuracy of the agency's cash balances and make daily decisions. The agency also could be preparing materially misstated financial reports for the federal government.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CWD-8: The Division Of Unemployment Insurance Should
Perform Regular Cash Reconciliations To Safeguard Assets (Continued)**

Routine reconciliations may identify errors or misappropriations or both that can be corrected in a timely manner. Financial statements and reports with reconciled balances are more likely to represent accurately the position of the agency. Management and daily users of the cashbooks can make better decisions with accurate cash balances.

Recommendation

We recommend the following:

- Reconciliation responsibilities be assigned to someone independent of initiating and recording transactions.
- All past reconciliations be completed.
- Reconciliations to the cashbook and MARS be performed monthly.
- Management review reconciliations regularly to assure performance and monitor results.

Management's Response and Corrective Action Plan

The agency is in agreement with the recommendations of the State Auditor. We are currently working on reconciling the back years to the state accounting system and respective bank statements with the plan to have the task completed by the end of April. It will be the Trust Fund Coordinator responsibilities to do daily reconciliation on the cashbooks. The Director of Division of Administration and Financial Management will have the responsibility for reconciling the cashbooks to MARS Report 2550 and forwarding a copy of the reconciliation report to the Director of Unemployment Insurance for his notification and review on a monthly basis. This will address the concerns expressed of having someone other than the person initiating and recording transactions into the cashbook doing the reconciliation.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CWD-9: The Division Of Unemployment Insurance Should
Strengthen Controls Over Cash**

State Agency: Cabinet for Workforce Development

During the FY 00 audit, we found serious deficiencies still exist in the internal control over cash at Unemployment Insurance. The Division of Unemployment Insurance is responsible for the Unemployment Insurance Trust Fund. As of June 30, 2000, the trust fund had a balance of over \$700,000,000.

We noted similar deficiencies had been occurring since 1998. Management responded that they would begin corrective actions. We noted the following during our preliminary review of internal controls and documented them during our transaction review.

- Authority to initiate transactions, make cashbook entries and adjustments, and reconcile the cashbook is given to one person.
- Access to the cashbook is not limited.
- Management does not monitor the accounting process.

We conclude the agency's response to the **prior year audit finding** has been materially misrepresented since management has not corrected these deficiencies.

Due to the findings listed above, management severely lacks the ability to detect and correct posting errors or misappropriation or both of funds on a timely basis. In addition, management does not monitor the process to assure duties are being performed. In this case, errors and misappropriations can go undetected indefinitely.

Effective internal control includes segregation of duties to ensure the detection of errors and misappropriations and safeguard agency assets. Management oversight gives assurance assigned duties are being executed and financial reports are accurate.

Recommendation

We recommend the following:

- Duties be segregated in the agency so that no one person has authority to initiate, record, and reconcile accounting records.
- Access be limited to the cashbooks so only authorized people can record or adjust entries and an audit trail be maintained.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CWD-9: The Division Of Unemployment Insurance Should
Strengthen Controls Over Cash (Continued)**

Recommendation (Continued)

- The process be monitored by management to assure assigned duties are being completed.
- Reports be periodically reviewed by management to assure accuracy.

Management's Response and Corrective Action Plan

The agency agrees that segregation of duties is important to safeguard agency assets. We will be assigning oversight responsibilities to dedicated staff to verify the reconciliation and develop a report each month that the reconciliation has been completed. The Director of Division of Administration and Financial Management will have the responsibility for reconciling the casebooks to MARS Report 2550 and the bank. A copy of the reconciliation report will be forwarded to the Director of Unemployment Insurance for his notification and review on a monthly basis. We are going to limit access to the different cashbooks based on the individual's duties and responsibilities. Each cashbook will have its own access levels. The level of access range will include view, add, update and delete. The Trust Fund Coordinator will be the only individual with full access to both cashbooks. Management staff will have "view" capabilities in order to monitor the process. Reports will be developed and issued monthly to insure reconciliation is being performed. The reports will include at a minimum: trust fund balance, cashbooks balance, cash drawn down, total benefits paid and MARS Report 2550 balance. Management will have the responsibility to review the reports on a monthly basis.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

Material Weaknesses and/or Material Instances of Noncompliance:

**FINDING 00-KST-10: Treasury Should Improve Procedures For The
Reconciliation Process And Maintaining Supporting Documentation**

State Agency: Office of the Kentucky State Treasurer

Due to the change in the Commonwealth's accounting system, the Treasury Department, along with FAC, has worked during FY 00 attempting to develop and perfect the bank reconciliation processes. Throughout most of FY 00, Treasury and FAC have worked together to reconcile the Commonwealth's bank accounts each month. We noted that it took approximately 9 months to complete the July 1999 reconciliation. At the outset of the audit in September 2000, Treasury had not signed off on the bank's reconciliation amounts for August 1999 through June 2000, authorizing them to formally sign a *Monthly Statement of State Depository*. Finally, in December 2000, Treasury signed off on the reconciliations and the Auditor's office was able to obtain a formal statement of account from the bank.

In addition, at the time of the implementation of MARS, there were no identified policies and procedures in place to be able to perform the reconciliations. As the auditors attempted to review July 1999 through April 2000 files, we were unable to piece information together in order to adequately review the reconciliations. The reconciliation procedures for those months were not well documented, and any adjustments or changes that needed to be made were insufficiently supported by documentation.

The initial plan for auditing this section was to re-perform the monthly reconciliations for all accounts for all months in the fiscal year. But because of the difficulty of obtaining information and the considerable lack of an audit trail for the first 10 months of the fiscal year, we were unable to perform any significant procedures for those months. We were able to adequately test significant portions of the reconciliations for the months of May and June.

The results of our findings from those months include:

- Considerable lack of audit trails and documentation. There were several occasions where the audit staff could not locate either bank or state account amounts or both. We also had difficulty in finding documentation of the causes of differences. We noted the process for June 2000 was much improved, although further improvement is needed.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-KST-10: Treasury Should Improve Procedures For The
Reconciliation Process And Maintaining Supporting Documentation (Continued)**

- For the General Depository Account, we noted there was not a single comparison schedule for the entire account. This comparison schedule was available for the other 9 bank accounts. Treasury could only provide reconciliation schedules for the categories which contained MARS activity.
- For May, we noted problems tracing bank and MARS information in the deposits category. Other categories were agreed without significant exception.
- For the June reconciliation, we noted difficulty in finding explanations for differences found in categories 1000/1030 Deposits, 3000 Checks Paid, and 3900 Wire Transfers. We were able to successfully trace all bank and MARS activity amounts to supporting documentation.

Recommendation

We recommend the following:

- An all-inclusive policy and procedures manual should be developed and implemented. It would be helpful if this manual included the “how-to” procedures for obtaining all relevant information and how it is used in the reconciliation process.
- Sufficient supporting documentation should be maintained for each monthly reconciliation. This would include maintaining support for any adjustments that are required through MARS.
- Comparison schedules and other information necessary to complete the reconciliation should be used consistently with all of the bank accounts.
- A time schedule for completing the monthly reconciliation should be developed to ensure that the performance of the reconciliation is completed in a timely and useful manner.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-KST-10: Treasury Should Improve Procedures For The
Reconciliation Process And Maintaining Supporting Documentation (Continued)**

Management's Response And Corrective Action Plan

The process for Cash Reconciliation in MARS was developed throughout much of FY 2000 and the beginning of FY 2001 by a team of accountants from the State Treasury and the Finance Cabinet Controller's Office. There was no process in place when MARS went live on July 1, 1999. That process was created over the ensuing months, lasting into the first half of FY 2001. Many members of the reconciliation team had not been involved in the Treasury's cash reconciliation process before. These team members documented their reconciliation efforts in different ways, and not all were completely familiar with the level of documentation expected by the State Auditor. In addition, because so many different individuals were sharing and using the same records, some of those records were not returned to their proper location, and some, it appears, were inadvertently mis-placed. It was a difficult and extraordinary time involving unique circumstances, which are not likely to be repeated.

Most of the difficulties encountered by the auditors in FY 2000 have now been corrected, and the recommendations are already in place. There is a basic "Bank Reconciliation Users Manual" already in existence that was developed by members of the reconciliation team. The date of the initial draft of that manual was November 6, 2000. This manual outlines each area to be dealt with in the reconciliation, describing the contents of that particular category and the approach to be taken to complete the reconciliation. This is still a document under construction. It will continue to be updated, with increasing detail as to how the reconciliation should be accomplished. This should ultimately be the "all inclusive policy and procedures manual" which is recommended in the comment.

The monthly reconciliation process is now back in the hands of the Treasury Department's Accounting Branch. There should now be consistency in the procedures used and the documentation retained for the reconciliation of each bank account. The documentation is thorough, and is fairly easy to follow. The "comparison schedule" spreadsheets are now prepared monthly for the General Depository Account, and for all other accounts where multiple corrections require a spreadsheet format for clarity of presentation. The differences are explained, and corrective actions are documented.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-KST-10: Treasury Should Improve Procedures For The
Reconciliation Process And Maintaining Supporting Documentation (Continued)**

Management's Response And Corrective Action Plan (Continued)

The Annual Employee Performance Evaluation criteria for the Accounting Branch employees now gives the expectation that the "balancing should be completed by the end of the following month." Our hope is that, as the reconciliation process continues to improve, the reconciliation will be completed much earlier in the month than this.

Were the staff of the State Auditor to look ahead into FY 2001, they would find that the reconciliation process improves with each passing month. We feel that, at long last, a workable process is now in place. It still will require additional refinement, but those refinements are coming fairly quickly. The reconciliation process is, in all probability, documented better and more clearly than it ever has been in the past. The many difficulties encountered during the first year of MARS are now in the past. We feel confident that the State Auditor will be pleased with the process as it has finally been developed.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CWD-11: The Division Of Unemployment Insurance Should
Implement The Corrective Action Plan To Assure The Closing Package Schedule
For Accounts Receivable Is Correct**

State Agency: Cabinet for Workforce Development

The agency stated in its FY 99 corrective action plan, “[t]he Kentucky Electronic Workplace for Employment Services (KEWES) will eliminate the current trial balance process and it should provide complete, timely and accurate report information.” Furthermore, the agency stated, “we will begin to develop a back-up plan to design the necessary program upgrades that will allow us to generate the correct data required for close-out reports in case KEWES does not become operational when planned. Additionally, we will develop procedures to verify the information provided in the closeout.” Based on results of our testing the agency did not implement any of the corrective action plan. Therefore, we determine this **prior year audit finding** to be materially misrepresented.

During the course of performing our analytical procedures on accounts receivable, we found a significant increase in the receivable due from reimbursing employers from 1999 to 2000. This amount had increased 111% in FY 00.

The manager of CWD’s Tax Status Branch, in response to inquiries, reported that the trial balance used by the agency’s internal policy analyst to prepare the closing package submitted to the FAC had not been reconciled. This trial balance was not completed until November 2000, nearly five months after the end of the quarter. Furthermore, the agency was unable to provide auditors with information to support the Fund 6200 accounts receivable reported on the AFR – 30 and AFR – 32 closing package schedules.

A finding was also issued in FY 99 because the agency used an unreconciled trial balance of receivables to compile their closing package. The manager informed auditors that FY 00 delay was caused by a personnel shortage and an extension to the cut off date for the trial balance.

The auditor cannot rely on the controls of the Unemployment Insurance (UI) computer system to provide accurate reports related to employer tax including a trial balance of

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CWD-11: The Division Of Unemployment Insurance Should
Implement The Corrective Action Plan To Assure The Closing Package Schedule
For Accounts Receivable Is Correct (Continued)**

delinquent contributions. The \$35,935,949 of employer tax receivable reported by the agency was based on an unverified report. The agency was not able to provide information to verify the receivable amount or substantiate adjustment of the reported amount.

The agency submitted its closing package containing unverified receivable amounts from a trial balance of delinquent employer contributions. This trial balance at 6/30/00 was not balanced or verified; yet the agency reported these figures without qualification in the closing package submitted to FAC.

Proper internal control dictates that the outputs of a computer system accurately reflect inputs and that system reports be verified prior to inclusion in external reports such as the FAC closing package.

FAC closing package instructions state that receivables are “the amount of revenue earned in FY 1999-2000 which was not received as of June 30, 2000, and will process as a new year document.” The agency has not provided valid evidential matter to support the amounts they reported.

Recommendation

We recommend that the agency submit a closing package that is supported by balanced and verifiable documentation such as trial balances. Further we recommend the agency make corrections to computer systems and implement additional system controls as necessary to prevent the submission of information from an unverified trial balance. Future closing package submissions should be based on reconciled data and be readily supported by additional documentation.

Management’s Response and Corrective Action Plan

The Department acknowledges we have failed to have in place proper controls for reconciling the Tax Trial Balance. In order to reconcile past trial balances, the Department has employed a former Trust Fund Coordinator to assist in the reconciliation of all outstanding trial balances. In addition, he has made recommendations on the improvement of the process of updating and reconciling the trial balances. The Department is reviewing these recommendations for implementation, if appropriate.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS AND QUESTIONED
COSTS (CONTINUED)**

**FINDING 00-CWD-11: The Division Of Unemployment Insurance Should
Implement The Corrective Action Plan To Assure The Closing Package Schedule
For Accounts Receivable Is Correct (Continued)**

Management's Response and Corrective Action Plan (Continued)

In addition to this hiring, the Department has employed temporary staff to assist in the backlog of data that impacts the tax trial balance. It is our plan that after the backlog is removed the best and most knowledgeable of the temporary employees will be retained by the Division of Unemployment Insurance to ensure the workload stays current throughout the year. The Division of Unemployment Insurance has used its field auditors to assist in the backlog of batch audits and will continue to do so as appropriate.

One thing that has complicated; but will ultimately help the process is that we are in the implementation of KEWES. KEWES has impacted the complete tax function from the receipt of UI Tax Form 3 through the reconciliation of the trial balance. As with all major information technology systems, it has not been as efficient as we planned. As a result, we are still experiencing problems with our relationship with Revenue, the process/procedure for reimbursing employers, aging reports, completion of batch audits and reconciliation of out-of-balance wage records which all reflected in the reconciliation of the trial balance. We are anticipating that these problems will not be totally resolved prior to the close out for Fiscal Year 2001. Until we have gone through a close out with KEWES fully implemented, we can not ensure that all of the processes, procedures and steps necessary for a clean close out have been implemented. We have, however, reviewed the processes, procedures and steps to ensure KEWES has been developed correctly; however, development and implementation does not come without "bugs".

One of the enhancements that KEWES has implementation as of March 2001, will greatly assist in the accounting for the account receivable of reimbursing employers. As part of the encoding process by Revenue, a daily report will be generated listing the payments received from reimbursable employers. This report will be forwarded to the Trust Fund Coordinator for reconciliation of the cashbook. Also, appropriate accounts have been established within MARS for each state-reimbursing employer which will allow for journal vouchers to be processed. Both of these actions should help in the reconciliation of the trial balance and cashbook.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

***Reportable Conditions Relating to Internal Control and/or Reportable
Instances of Noncompliance:***

**FINDING 00-CFC-12: The Cabinet For Families And Children Should Impose
Sanctions On Subrecipients Who Fail To Meet Audit Requirements Set Forth By
OMB Circular A-133**

State Agency: Cabinet for Families and Children

Federal Program: CFDA 93.558 – Temporary Assistance for Needy Families,
CFDA 93.563 – Child Support Enforcement,
CFDA 93.575 – Child Care and Development Block Grant, and
CFDA 93.596 - Child Care Mandatory and Matching Funds of the
Child Care and Development Fund

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Agency: Not Applicable

Compliance Area: Subrecipient Monitoring

Amount of Questioned Costs: None

CFC contracts with local not-for-profit organizations and county attorneys to provide Temporary Assistance for Needy Families (TANF), Child Support, and Child Care Development Fund (CCDF) child care services to needy families. As subrecipients of federal awards, organizations that expend in excess of \$300,000 are required to have a single or program-specific audit in accordance with OMB Circular A-133.

Audits of subrecipients must be submitted to CFC within 9 months after the end of the fiscal year being audited. Upon completion, the audit report is to be submitted to CFC for review. We requested monitoring reports, subrecipient contracts, and audit reports to test CFC's compliance with OMB Circular A-133 provisions. We noted various subrecipients who did not submit an audit report to CFC by the required deadline and several who failed to submit a report or request an extension.

The following subrecipients failed to submit an audit report to CFC by the deadline:

Program	CFDA #	Year	Contractor	Contract #	Amount Sent FY 00
Child Support	93.563	FY00	Campbell County Attorney	61-1264507	\$337,985
Child Support	93.563	FY00	Kenton County Attorney	61-1251610	\$561,152
Child Support	93.563	FY00	Warren County Attorney	61-0943920	\$387,932

**COMMONWEALTH OF KENTUCKY
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FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CFC-12: The Cabinet For Families And Children Should Impose Sanctions On Subrecipients Who Fail To Meet Audit Requirements Set Forth By OMB Circular A-133 (Continued)

The following subrecipients failed to submit an audit report to CFC or request an extension:

Program	CFDA #	Year	Contractor	Contract #	Amount Sent FY 00
TANF	93.558	FY00	Big Sandy Area Development District	61-0671002	\$2,163,658
TANF	93.558	FY00	Kentucky Community & Technical College System	61-1320380	\$1,291,537
TANF	93.558	FY00	Seven Counties Services	31-0939757	\$729,300
Child Support	93.563	FY00	Jefferson County	61-0735880	\$5,119,910
CCDF	93.575	FY99	Child Care Council of Kentucky	31-1102545	\$783,548
CCDF	93.575	FY00	Child Care Council of Kentucky	31-1102545	\$974,133

Eastern Kentucky Child Care Coalition (EKCCC) failed to submit an audit report for both FY 99 and FY 00. CFC granted an extension for the FY 00 audit, which is also past due, despite the fact that the FY 99 EKCCC audit was not submitted. While extensions were granted for both audits, we believe that granting an extension for the FY 00 audit, when the FY 99 audit is 15 months overdue, is not only a violation of federal regulations, but diminishes the report's usefulness.

CFC cannot be assured subrecipients are expending federal awards for their intended purpose and complying with the requirements of OMB Circular A-133. All of the contractors have had their funding increased from FY 99 to FY 00. Also, CFC did not impose sanctions on contractors who failed to comply.

OMB Circular A-133, Subpart B, says, "Non-Federal entities that expend \$300,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part."

**COMMONWEALTH OF KENTUCKY
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(CONTINUED)**

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)

FINDING 00-CFC-12: The Cabinet For Families And Children Should Impose Sanctions On Subrecipients Who Fail To Meet Audit Requirements Set Forth By OMB Circular A-133 (Continued)

CFC has the following responsibilities under OMB Circular A-133, Subpart D:

- 1) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity;
- 2) Ensure required audits are performed and require subrecipients to take prompt corrective action on any audit findings; and,
- 3) Evaluate the impact of subrecipient activities on the pass through entity's ability to comply with applicable Federal regulations.

OMB Circular A-133 §____.225 states,

No audit costs may be charged to Federal awards when audits required by this part have not been made or have been made but not in accordance with this part. In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities shall take appropriate action using sanctions such as:

- (a) Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- (b) Withholding or disallowing overhead costs;
- (c) Suspending Federal awards until the audit is conducted; or
- (d) Terminating the Federal award.

Recommendation

CFC should enforce OMB Circular A-133 provisions by implementing the following controls:

- Impose sanctions, disallow overhead costs, disallow expenditures, suspend federal awards, or terminate the federal award for subrecipients who fail to meet audit requirements set forth by OMB Circular A-133;

**COMMONWEALTH OF KENTUCKY
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(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CFC-12: The Cabinet For Families And Children Should Impose Sanctions On Subrecipients Who Fail To Meet Audit Requirements Set Forth By OMB Circular A-133 (Continued)

Recommendation (Continued)

- Deny all requests for extensions made by subrecipients who have failed to submit an audit report (required by OMB Circular A-133) from the prior year;
- Establish a new deadline for submitting the audit when extensions are granted;
- Remind subrecipients of their audit reporting responsibilities under OMB Circular A-133; and,
- Follow-up with subrecipients to ensure audits are performed and findings submitted in a timely manner.

Management's Response and Corrective Action Plan

CAMPBELL COUNTY CHILD SUPPORT

The audit was due March 31, 2001 and received April 5, 2001.

KENTON COUNTY CHILD SUPPORT

The audit was due March 31, 2001 and received April 16, 2001.

WARREN COUNTY CHILD SUPPORT

We inadvertently overlooked the requirement for an A-133 audit for Warren County Child Support. We have contacted that office and were advised they had provided a copy to the Director of the Division of Child Support, but did not provide our office with a copy. This has now been mailed and we should receive it any day.

BIG SANDY AREA DEVELOPMENT DISTRICT

We are not the cognizant agency for the Area Development Districts. They submit their audits to the Department of Local Government who processes the audit and advises us if there are issues that the Cabinet needs to address, we do have a copy of the audit on file.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CFC-12: The Cabinet For Families And Children Should Impose
Sanctions On Subrecipients Who Fail To Meet Audit Requirements Set Forth By
OMB Circular A-133 (Continued)**

Management's Response and Corrective Action Plan (Continued)

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM

We inadvertently overlooked the requirement for an A-133 audit. The audit is being requested.

SEVEN COUNTIES

The Office of Inspector General [OIG] handles this audit for us as the desk review is completed by an agency other than OIG. We received the audit May 17, 2001.

JEFFERSON COUNTY CHILD SUPPORT

We have not received this audit. Letters were sent on February 14, 2001, March 19, 2001, and May 11, 2001. A fourth letter will be sent.

CHILD CARE COUNCIL OF KENTUCKY

We have not received either of these audits. Letters were sent for SFY '99 on February 11, 2000, April 1, 2000, and May 11, 2000. Letters were sent for SFY '00 on March 19, 2001 and March 20, 2001.

EASTERN KENTUCKY CHILD CARE COALITION

We granted extensions for SFY '99 with a final extension date of July 15, 2001 and an extension for SFY '00 until September 30, 2001. The audit for year ended 2000 could not be completed until the 1999 report was finished. EKCCC lost their accountant and was in the process of trying to replace this individual. Prior to the accountant's departure, he was having difficulties getting information completed due to understaffing in the agency and his departure further compounded the problem. The auditor's completing the audit had issues with salaries and had to complete random sampling, which also attributed to the delays. [A CFC representative] talked with them today and the SFY '99 has been completed and mailed. The auditor also advised that they are on target for the 2000 audit to be finished by September 30, 2001.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CFC-12: The Cabinet For Families And Children Should Impose
Sanctions On Subrecipients Who Fail To Meet Audit Requirements Set Forth By
OMB Circular A-133 (Continued)**

Management's Response and Corrective Action Plan (Continued)

We have procedures in place to track and monitor these audits. A log was developed which indicates date received, date reminder letters sent, date to OIG, problems, corrective action, etc.

Auditor's Reply

While we acknowledge that CFC has procedures in place to track and monitor subrecipient audits, significant weaknesses still exist that affect the agency's compliance with federal regulations. To strengthen the system and ensure subrecipient compliance, CFC should impose sanctions as set forth in the recommendation.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CFC-13: The Cabinet For Families And Children Should Track All EBT Cards Issued At DCBS Local Offices

State Agency: Cabinet for Families and Children

Federal Program: CFDA 10.561 – State Administrative Matching Grants for Food Stamp Program

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Agency: Not Applicable

Compliance Area: Special Tests and Provisions

Amount of Questioned Costs: None

We reviewed procedures at CFC's Department for Community Based Services (DCBS) and noted local offices did not follow procedures outlined in the DCBS Operation Manual regarding EBT (Electronic Benefits Transfer) card security, issuance, and record keeping. We noted the following weaknesses:

- EBT cards and PINs (Personal Identification Numbers) are not always stored in a locked, secured area, with access limited to the supervisor and 2 designated employees.
- Receiving, storing, and recording the receipt of all EBT cards and PINs is not restricted to one designated employee.
- All required forms regarding the issuance of cards to clients and destruction of cards and PINs are not being completed accurately, signed by the designated employee, or reviewed by the supervisor periodically.

CFC has no way to track and account for EBT cards and PINs mailed from the third-party processor to the local offices because there is no master list of EBT cards and PINs kept by local offices or the third-party processor. The DCBS forms are the only method of keeping track of EBT cards and PINs issued from the local offices.

Insufficient recordkeeping and security over EBT cards and PINs increases the risk of theft, loss, or unauthorized use of food stamp benefits.

Code of Federal Regulations (CFR) Title 7 Section 274.12 – "Electronic Benefit Transfer Issuance System Approval Standards" requires that storage and control measures be in place to ensure the security of EBT cards and PINs.

The DCBS Operation Manual Sections 8010-8030 describes local office responsibility in the areas of EBT Card and PIN security, issuance, and record keeping.

**COMMONWEALTH OF KENTUCKY
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(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CFC-13: The Cabinet For Families And Children Should Track
All EBT Cards Issued At DCBS Local Offices (Continued)**

Recommendation

CFC should implement the following controls to ensure security over EBT cards and PINs that are held in DCBS local offices:

- Require all local office personnel to follow the procedures as outlined in the DCBS Operation Manual regarding EBT card security, issuance, and recordkeeping;
- Train all local office personnel in the security, issuance, and recordkeeping procedures for EBT cards and PINs; and,
- Track all EBT cards and PINs that are being held and issued by the local offices.

Management's Response and Corrective Action Plan

This is in response to your July 13, 2001 memorandum on the above subject. In your correspondence you provided the results of your audit of the Cabinet for Families and Children for fiscal year ending June 30, 2000. The following weaknesses were identified:

- 1. EBT cards and PINs are not always stored in a locked, secured area with access limited to the supervisor and 2 designated employees.*
- 2. Receiving, storing, and recording the receipt of all EBT cards and PINs is not restricted to one designated employee.*
- 3. All required forms regarding the issuance of cards to clients and destruction of cards and PINs are not being completed accurately, signed by the designated employee, or reviewed by the supervisor periodically.*

To correct the above problems we will draft a memorandum to each local office advising them of the findings of your audit. As the procedures for the security of EBT cards and PINS are clearly outlined in Vol. II, MS 8010 and MS 8030, we will advise local office supervisors at their next staff meeting to go over these procedures with staff. We will advise all staff that it is imperative that the security of EBT cards and PINs must be maintained at all times. In addition, it is the responsibility of local office supervisors to insure that local office staff are trained in the proper procedures for maintaining security of EBT cards and PINs. We will send this memorandum to staff by 8/15/01.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CFC-14: The Cabinet For Families And Children Should Reconcile FNS-46 Reports Before They Are Submitted To USDA

State Agency: Cabinet for Families and Children

Federal Program: CFDA 10.561 – State Administrative Matching Grants for Food Stamp Program

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Agency: Not Applicable

Compliance Area: Reporting

Amount of Questioned Costs: \$105,965

CFC submits an FNS-46 report to the United States Department of Agriculture (USDA) each month that shows Kentucky's total food stamp benefits issuance. The FNS-46 is used to account for benefits issued during the month. The USDA relies on the issuance total from the FNS-46 to determine future issuance needs.

We tested one quarter of FNS-46 reports for accuracy, completeness, proper authorization and timely submission to USDA and noted the following errors:

- The September 1999 food stamp benefits issuance was overstated by \$9,149.
- The October 1999 food stamp benefits issuance was overstated by \$96,816.

We also noted the monthly FNS-46 reports were not reconciled to the Daily EBT Reconciliation for the last day of the month. According to agency personnel, although attempts were made, there has not been a successful reconciliation of the two reports since the EBT system was implemented in November 1999.

If the reports are not reconciled, there is no way to determine the accuracy of the FNS-46 reports that are submitted to USDA. If the FNS-46 report is not accurate, the total food stamp benefits issued for that month are not accurate.

CFR Title 7 Section 274.1, (a) Basic issuance requirements, says, "State agencies shall establish issuance and accountability systems which ensure that coupon issuance and reconciliation activities are properly conducted and accurately reported to FNS."

CFR Title 7 Section 274.4, say, "Form FNS-46, Issuance Reconciliation Report, shall be submitted by each State agency operating an issuance system. The report shall be prepared at the level of the State agency where the actual reconciliation of the record-for-issuance and master issuance file occurs."

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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CFC-14: The Cabinet For Families And Children Should Reconcile FNS-46 Reports Before They Are Submitted To USDA (Continued)

CFR Title 7 Section 274.4, states, “[t]he State agency shall identify and report the number and value of all issuances which do not reconcile with the record-for-issuance and/or master issuance file. All unreconciled issuances shall be identified as specified on this reporting document.”

Recommendation

CFC should:

- Implement reconciliation procedures that ensure the completeness and accuracy of food stamp benefits issuance amounts reported to USDA;
- Submit revised FNS-46 reports for the months of September and October 1999; and,
- Develop procedures to reconcile the FNS-46 reports to the Daily EBT Reconciliation on the last day of each month. By reconciling these reports, the agency can detect errors on the FNS-46 report before it is submitted to USDA.

Management’s Response and Corrective Action Plan

RECOMMENDATION FOR IMPROVEMENT #1.

Implement reconciliation procedures that ensure the completeness and accuracy of food stamp benefits issuance amounts reported to USDA;

RESPONSE:

Extensive automated reconciliation procedures have been implemented with the Electronic Benefit Transfer (EBT) System currently utilized statewide. Previously, the preparation of the FNS-46 report required manual calculation from various reports. There were several types of issuance systems in place, ie...over the counter issuance, mail issuance, and EBT.

RECOMMENDATION FOR IMPROVEMENT #2.

Submit revised FNS-46 reports for the months of September and October 1999.

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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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**FINDING 00-CFC-14: The Cabinet For Families And Children Should
Reconcile FNS-46 Reports Before They Are Submitted To USDA (Continued)**

Management's Response and Corrective Action Plan (Continued)

RESPONSE:

The revised FNS-46 Reports for September 1999 and October 1999 are in the process of being corrected and will be submitted to USDA no later than August 15th.

RECOMMENDATION FOR IMPROVEMENT # 3.

Develop procedures to reconcile the FNS-46 reports to the Daily EBT Reconciliation on the last day of each month. By reconciling these reports, the agency can detect errors on the FNS-46 report before it is submitted to USDA.

RESPONSE:

The EBT daily reconciliation is tracked thru statistical reports from KAMES, the Federal Reserve (AMA), and Deluxe. The reports issued by Deluxe are compared to issuance reports from the KAMES system. Federal Reserve (AMA) provides data from Citibank.

AMA and the FNS-46 are supposed to reflect the same issuance amount for the month. However, the difference in the AMA and the FNS-46 are the result of posting dates. When KAMES sends monthly issuance to Deluxe at Food Stamps cut-off Citibank automatically posts this amount to the AMA account. There is another report the Automated Standard Application For Payments (ASAP) which is also posted by Citibank, but it is done according to the last digit SSN for clients.

Based upon this, the FNS-46 report and the AMA report will not balance to the exact amount. USDA has set a variance limit of 1.77% because of these occurrences. The variance in our report averages between \$500,000 and \$1,000,000 which is .27% variance.

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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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FINDING 00-CFC-15: The Cabinet For Families And Children Should Improve Access Security Controls For Manual Input Of EBT – Food Stamp Records To The EDGE System

State Agency: Cabinet for Families and Children

Federal Program: CFDA 10.561 – State Administrative Matching Grants for Food Stamp Program

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Agency: Not Applicable

Compliance Area: Not Applicable (Internal Controls)

Amount of Questioned Costs: None

CFC did not ensure adequate security access controls were established for users of the EDGE software system used to transfer electronic benefit authorization for the food stamps program. The EDGE system is physically installed at eFunds Corporation in Glendale, Wisconsin. We noted 33 user profiles with authorizations to add case numbers, issue cards, and approve benefits. This combination of authorities could be used to circumvent system controls. The Kentucky Automated Management and Eligibility System (KAMES) security administrator could not provide documentation to support the authorization granted for any of the 33 users. Additionally, it was determined that for seven of these users, this combination of access authority was no longer necessary.

CFC management established an EBT – Food Stamps Project Team (project team) to oversee the implementation of the EBT Food Stamps program throughout the Commonwealth. During implementation of the EBT - Food Stamps system, the project team determined user access profiles based on the evaluation of user needs and job functions. The Division of Family Support staff and central office staff who had already been granted access to KAMES were granted access to the EDGE system. The EDGE software system processes the electronic food stamp authorizations submitted from the KAMES system application. Access granted was based on profile determinations made by the project team. A list of these preferred user profiles was provided to the KAMES security administrator, who then developed and loaded those user profiles for the EDGE system. After loading the user profiles, all supporting documentation for the project team profile determinations was destroyed.

Users should only be granted the minimum access necessary to complete their jobs to ensure a strong security environment. Further, the propriety of user access to systems cannot be ensured without a properly approved system access, which should be maintained to verify proper authorization of the system access granted.

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(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CFC-15: The Cabinet For Families And Children Should Improve
Access Security Controls For Manual Input Of EBT – Food Stamp Records To The
EDGE System (Continued)**

Recommendation

We recommend CFC management ensure adequate documentation is obtained and maintained for security access requests and authorizations. Standardized forms should be required for all system access requests. These forms can be submitted via mail, e-mail, or facsimile and should be obtained by the security administrator prior to granting any new system access. Further, a review should be performed of all current EDGE system users to ensure documentation is available to support the authorization granted for current user profile privileges, especially for those users granted sensitive profiles with update capability to the system.

Management's Response and Corrective Action Plan

Your comments include: "The Cabinet for Families and Children (CFC) did not ensure adequate security access controls were established for users of the EDGE software system used to transfer electronic benefit authorization for the Food Stamps program".

As noted in your document the following was done to ensure security access control:

"CFC management established an Electronic Benefits Transfer (EBT) – Food Stamps Project Team (project team) to oversee the implementation of the EBT Food Stamps program throughout the Commonwealth. During implementation of the EBT – Food Stamps system, the project team determined user access profiles based on the evaluation of user needs and job functions. The Division of Family Support staff and central office staff who had already been granted access to KAMES were granted access to the EDGE system. Access granted was based on profile determinations made by the project team. A list of these preferred user profiles was provided to the KAMES security administrator, who then developed and loaded those user profiles for the EDGE system".

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(CONTINUED)**

**FINDING 00-CFC-15: The Cabinet For Families And Children Should Improve
Access Security Controls For Manual Input Of EBT – Food Stamp Records To The
EDGE System (Continued)**

Management’s Response and Corrective Action Plan (Continued)

It is our position that the EDGE system is an extension of the KAMES system because the information available on the EDGE system is generated from the KAMES system information, therefore obtainable by personnel with access to the KAMES system. The exception is the EDGE system has benefit usage information that is not on the KAMES system that is necessary for staff to assist recipients in the event they believe their account information is incorrect. It was our conclusion that any caseworker that determines eligibility for clients on KAMES and has update capabilities on KAMES needs inquiry access to the EDGE system to be able to perform their job.

We have in place a procedure for granting access to various systems. As far as the EDGE system is concerned with it being an extension of KAMES, when we receive a request for access to KAMES via a DSI-2 form we also use that as an authorization for inquiry only access to the EDGE system. A hard copy of that form is retained in the security administrator files.

Additionally you commented:

“We noted thirty-three user profiles with authorizations to add case numbers, issue cards, and approve benefits. This combination of authorities could be used to circumvent system controls”.

We agree that a limited number of staff has been granted the ability to add cases, issue cards and authorize benefits. It is necessary that certain staff be able to perform these functions in order to maintain the system. Members of the Fraud group require the ability to add cases, issue cards and authorize benefits to ensure identity confidentiality of fraud investigators. Members of the KAMES staff require the ability to add cases, issue cards and authorize benefits in order to manually enter information that was rejected in the batch posting process and keep the EDGE system and the KAMES system in balance. Members of the e-Funds staff require this ability to assist our recipients as part of their Help Desk functions. The key element is the ability to authorize benefits. Benefits authorized are monitored on a daily basis by the Commonwealth reconciliation group balancing the benefit authorizations posted to the EDGE system to the benefits

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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CFC-15: The Cabinet For Families And Children Should Improve
Access Security Controls For Manual Input Of EBT – Food Stamp Records To The
EDGE System (Continued)**

Management’s Response and Corrective Action Plan (Continued)

authorized in the KAMES system. The reconcilers are provided reports by KAMES staff and Fraud staff on a daily basis of benefit authorizations. In the event there is an out of balance condition, EDGE report (EBTDS201-1) exists to check all entries made by Administrative Terminal that would identify who made the entry.

You further commented:

“The Kentucky Automated Management & Eligibility System (KAMES) security administrator could not provide documentation to support the authorization granted for any of the thirty-three users. Additionally, it was determined that for seven of these users this combination of access authority was no longer necessary. After loading the user profiles, all supporting documentation for the project team profile determinations was destroyed”.

It is true that at the time of the audit the system administrator was unable to locate the documentation from the meeting to assign user profiles and stated that the documents had been destroyed. It was discovered that this information had been misplaced during a move and has since been located and is available. In addition the system administrator has contacted management of the individuals in this group and received by e-mail verification of their need for these profiles. All staff identified as no longer needing these profiles have been removed from the profile group.

Documentation of all additions to these profiles is required of management.

To ensure the integrity of the user group with the ability to create cases, issue cards and authorize benefits, EBT (security administrator) will monitor this group by downloading EDGE reports EBTMS304-1 and EBTMS304-2 and verify that the Commonwealth staff with this access is current and documentation is on file.

**COMMONWEALTH OF KENTUCKY
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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CFC-16: The Cabinet For Families And Children Should
Establish And Enforce Medical Support Obligations For Custodial Parents**

State Agency: Cabinet for Families and Children

Federal Program: CFDA 93.563 – Child Support Enforcement

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Agency: Not Applicable

Compliance Area: Special Tests and Provisions

Amount of Questioned Costs: None

CFC is required to secure medical support information and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR 302.33.

We tested a sample of 33 child support case files for compliance and noted the following exceptions:

- Four case files did not contain evidence CFC obtained satisfactory health insurance other than Medicaid for the custodial parent; CFC also failed to petition the court or administrative authority for required health insurance.
- Ten case files did not contain evidence CFC verified that absent parents obtained medical support; and, there was no evidence CFC informed the custodial parent or Medicaid when health insurance was obtained.

CFR, Title 45, Part 303.31(b) states,

[the IV-D agency shall:] (1) Unless the custodial parent and child(ren) have satisfactory health insurance other than Medicaid, petition the court or administrative authority to include health insurance that is available to the noncustodial parent at reasonable cost in new or modified court or administrative orders for support...(5) Provide the custodial parent with information pertaining to the health insurance policy which has been secured for the dependent child(ren) pursuant to an order obtained in this section. (6) Inform the Medicaid agency when a new or modified court or administrative order for child support includes medical support and provide the information...to the Medicaid agency when the information is available. (7) If health insurance is available to the noncustodial parent at reasonable cost and has not been obtained at the time the order is entered, take steps to enforce the health insurance coverage required by the support order and provide the Medicaid agency with the information . . .

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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CFC-16: The Cabinet For Families And Children Should Establish And Enforce Medical Support Obligations For Custodial Parents
(Continued)**

Recommendation

CFC should enforce regulations and develop procedures to assure compliance with the following provisions:

- Ensure custodial parents have satisfactory health insurance other than Medicaid and petition the court or administrative authority for custodial parents who do not have satisfactory health insurance.
- Verify absent parents obtain health insurance coverage and document any reasons for not obtaining coverage; and, inform both the custodial parent and Medicaid when the absent parent has health insurance or CFC obtains health insurance.

Management's Response and Corrective Action Plan

We appreciate and thank you for the recommendation for improvement. A memo, under [the Director of the Division of Child Support's] signature will be written and distributed to all of the Contracting Officials and Area Managers statewide, reiterating the urgency of securing and enforcing medical support for the children, notifying the custodial parent and Medicaid, when health insurance is obtained. [CFC] will also stress all information pertaining to medical insurance be input into the KASES system and not files in hardcopy cases.

One of the Office of Performance Enhancement's (OPE) self-assessment forms addresses SECURING AND ENFORCING MEDICAL SUPPORT ORDERS. We will work with OPE to assure that added emphasis is given on the medical cases they are monitoring.

The Division makes every effort to ensure the caseworkers meet the timeframes and guidelines pursuant to the CFR as well as the KRS statutes.

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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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FINDING 00-CHS-17: The Division Of Substance Abuse Should Conduct Peer Reviews As Required By Federal Regulations

State Agency: Cabinet for Health Services

Federal Program: CFDA 93.959 - Block Grants for Prevention and Treatment of
Substance Abuse

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Entity: Not Applicable

Compliance Area: Special Tests and Provisions

Amount of Questioned Costs: None

The Division of Substance Abuse (SA) in the Department for Mental Health and Mental Retardation (DMH/MR) purposely did not conduct peer reviews during FY 00. SA reported this deficiency in their application for funding to the federal government. They also reported that peer reviews would be reinstituted in FY 01.

Peer reviews were not performed in FY 00 because the DMH/MR was in the process of revamping its contract requirements to develop an outcome-related, performance-based funding system. DMH/MR also wanted to establish related monitoring protocols that fully utilize automated data and other reported information.

Without peer reviews, SA cannot monitor subrecipients properly and is not in compliance with 45 CFR 96.136. Peer review provides an independent, on-site review of Community Mental Health Centers (CMHC) to ensure block grant moneys are expended according to laws and regulations. It also gives monitoring staff performance measurements about the delivery systems of substance abuse services. Thus, monitoring staff is at a disadvantage when conducting on-site reviews.

According to 45 CFR 96.136, the state must provide for independent peer reviews which access the quality, appropriateness, and effectiveness of treatment services provided to individuals. At least five percent of the entities providing services in the state shall be reviewed.

Recommendation

We recommend peer reviews be reinstituted in FY 01 as planned by SA. The peer reviews should meet the requirements of 45 CFR 96.136 and include, at least, five percent of the entities providing services in the state. We further recommend the planned protocol be used, which at least addresses the six areas required by 45 CFR 96.136.

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(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CHS-17: The Division Of Substance Abuse Should Conduct Peer Reviews As Required By Federal Regulations (Continued)

Management's Response and Corrective Action Plan

Peer reviews were reinstituted in State Fiscal Year 2001 and conducted on a five percent (5%) sample of Substance Abuse Prevention and Treatment funded programs. Sample programs will include detoxification, residential, outpatient and programs offering case management services to targeted populations.

In State Fiscal Year 1998, state staff in consultation with the peer reviewers prepared a review protocol. The protocol was also developed in conjunction with the State Substance Abuse Medical Director. The protocol addresses the six (6) areas referenced in 45 CFR 96.136.

In addition to these six (6) domains, peer reviews in State Fiscal Year 2001 plan to focus on performance measures such as penetration rates of targeted populations (e.g., pregnant women, women with dependent children, intravenous drug users, TANF referrals, persons referred through child protective services and criminal justice referrals). In addition, persons participating in the Department Treatment Outcome Study (KTOS) will be targeted as a performance measure for contracted funds.

Peer reviewers are selected from the fourteen (14) Regional Alcohol and Drug program Directors and persons with previous peer review experience. Independent peer reviewers are individuals with expertise in the field of alcohol and drug treatment and prevention. Reviewers must be knowledgeable about the modality being reviewed and its underlying theoretical approach to addiction treatment and must be sensitive to the cultural and environmental issues that may influence the quality of the services provided. Volunteers will be matched with state staff based on geography (proximity), programmatic expertise, reviewer interest, and availability. No reviewer is allowed to review his or her own agency.

FFY 01 reviews are currently being conducted in conjunction with the Department's annual monitoring visits.

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(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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FINDING 00-CHS-18: The Department For Medicaid Services Should Improve Claims Processing, Including The Dispute-Resolution Process With Drug Rebate Manufacturers

State Agency: Cabinet for Health Services

Federal Program: CFDA: 93.778 - Medical Assistance Program

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Entity: Not Applicable

Compliance Area: Special Tests and Provisions

Amount of Questioned Costs: None

Section 4401 of the Omnibus Budget Reconciliation Act (OBRA) of 1990 requires drug manufacturers to enter and have in effect a rebate agreement with the federal government for states to receive funding for drugs dispensed to Medicaid recipients. Under the agreement, manufacturers must rebate a portion of the price received from the sale of drugs which were paid by Medicaid. The amount of the rebate per unit for each drug from a manufacturer is determined by the Health Care Financing Administration (HCFA) and is supplied to states on a quarterly basis.

During our testing of the internal controls over the Drug Rebate Program, we noted several weaknesses in various areas. We tested 51 Rebate Billing Statements for accuracy, timeliness, and proper recording. We tested these billings statements from the billing cycle through the receipt cycle. The exceptions to our testing are noted below:

1. Twenty-two receipts were not posted to the manufacturer's account in a timely manner. Our criteria for testing this procedure was a five-day period to post the receipt of drug rebate checks from the date received by the fiscal agent (UNISYS). We believe five days to be a reasonable amount of time to perform this particular procedure. However, according to the agency policy established by the Department of Medicaid Services (DMS), the time frame for posting this information is by the 10th day of the following month. Thus, a check received by the fiscal agent on the first day of the month could, theoretically, remain unposted for 40 days prior to being posted in the Labeler Detail screen, which summarizes quarterly activity for the drug manufacturer. Alternatively, a check received on the last day of the month is required to be posted in 10 days. Therefore, posting requirements range from 10-40 days. This large gap of time for posting is difficult to understand. Our review indicated that, on average, about 10-15 rebate checks were received per day. In our opinion, posting this information should not take 40 days.

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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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**FINDING 00-CHS-18: The Department For Medicaid Services Should Improve
Claims Processing, Including The Dispute-Resolution Process With Drug Rebate
Manufacturers (Continued)**

During this time frame, the checks that are received by UNISYS from the drug manufacturer are forwarded to Fiscal Services, where they are deposited in a timely manner. Therefore, it does not seem logical that the posting procedure should, in some circumstances, take an unreasonable amount of time to be posted into the system. While the agency has apparently given consideration to this policy, this procedure is not adequate in our opinion.

2. Seventeen rebates were not received by their due date. Our criteria for determining this exception was based on a 38-day requirement for making payment. This time frame is established on each bill sent to the drug manufacturer and stipulates, “[p]ayment is due 38 days after the stamped postage date.” Of the 17 rebates deemed late under the 38-day criteria, six rebates were not received within 60 days of the billing. According to agency policy, a delinquent notice is sent to each drug manufacturer after 60 days. However, in most cases, we determined that a partial payment from the manufacturer was eventually received, rather than not receiving any payment from the drug manufacturer. Thus, in several cases, the entire amount of the rebate received does not agree to the amount billed, which creates the problem of unresolved balances. These unresolved balances are placed in a dispute resolution file.
3. The testing results of late posting of receipts noted above were investigated and discussed with agency personnel. We learned that the state has \$79 million of unresolved manufacturer billings as a result of having no resolution process in place.

Since the implementation of the Drug Rebate Program in 1991, DMS has made great strides in developing and implementing controls over the program. However, we are still concerned with outstanding drug rebate balances that remain unresolved. In some instances, unresolved cases are 10 years old. We are aware of the fact that on March 1, 1997 DMS hired the services of an outside vendor, ClaimTraq, Inc., to assist DMS with the resolution of these outstanding labeler balances for the period 1991 through 1997 -- some of which may date back to the inception of the program. This contract ended on June 30, 1999.

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(CONTINUED)**

FINDING 00-CHS-18: The Department For Medicaid Services Should Improve Claims Processing, Including The Dispute-Resolution Process With Drug Rebate Manufacturers (Continued)

On July 1, 1999, a contract was formed between First Health Services Corporation and DMS for First Health to assist DMS with the resolution of outstanding labeler balances for the period January 1997 through January 1998. Unfortunately, during FY 00, resolution of outstanding drug rebate balances was inconsistently applied; thus, we cannot confirm that controls were in place and operating for the resolution of outstanding drug labeler balances. In fact, no disputed rebates were collected for this time frame.

4. Apparently there is no federal requirement that outstanding accounts receivable balances be written off as uncollectable in the Drug Rebate Program. As discussed above, the outstanding accounts receivable balance at June 30, 2000, was \$79 million.

The lack of an effective internal control structure increases the risk that laws and regulations of the Drug Rebate Program will not be followed, leading to the possibility of sanctions by the federal government, including possible disallowance of expenditures. Furthermore, since a portion of the rebate collected would be used to reimburse the Commonwealth for its match, failure to collect all rebates due could result in a significant loss of state revenue.

The Drug Rebate Program was established within the Medicaid Assistance Program (MAP) by federal law to recover from drug manufacturers a fee per drug unit dispensed by providers of Medicaid services. It is DMS's responsibility to establish internal controls to properly record, collect, and report all amounts owed to and received by MAP.

Recommendation

We recommend proper controls be implemented by the fiscal agent or by DMS to ensure the following objectives are met:

1. All labeler checks received should be posted to the drug manufacturer's account in the Medical Management Information System (MMIS) in a reasonable time frame. In addition, we recommend the agency reconsider the

**COMMONWEALTH OF KENTUCKY
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**FINDING 00-CHS-18: The Department For Medicaid Services Should Improve
Claims Processing, Including The Dispute-Resolution Process With Drug Rebate
Manufacturers (Continued)**

Recommendation (Continued)

policy for posting the rebate checks. In its current state, the policy could allow up to six weeks to post checks or, at a minimum, 10 days would be required to post those checks. A reasonable time period would be 5-10 days, not a six-week period.

2. Drug Rebate discrepancies, such as outstanding balances, between DMS and drug labelers be resolved within a reasonable amount of time. We are aware HCFA has developed a “*Best Practices for States – Best Practices for Dispute Resolution*,” which outlines ways states can avoid unnecessary disputes. This guide also provides a ten-step process for resolving drug rebate disputes and has been implemented in several surrounding states’ Medicaid programs. However, Kentucky’s Medicaid program has not adopted these procedures. We recommend that DMS consider adopting these “best practices.” At least this would be a good starting point for the resolution of the \$79 million unresolved balance.
3. The creation of a better dispute resolution process should significantly decrease the amount of long-term accounts receivable balances. HCFA’s “best practices” require a resolution to all disputes. Thus, the manufacturer should make payment, or the account should reach some resolution, such that disputed receivables would be written off the books. Procedures should be considered for writing off outstanding accounts receivable balances.

Management’s Response and Corrective Action Plan

1. *The Department has reviewed the audit findings and agrees with the recommendation of the Auditors. Effective September 1, 2001, the Department will require that labeler checks be posted within ten days of receipt.*
2. *HCFA indicates in the Foreword to “Best Practice for Dispute Resolution under the Medicaid Drug Rebate Program” that the booklet “is a compilation of information based on our (HCFA) experiences and lessons learned through the Drug Rebate Program (DRP) and is intended to be a valuable resource for all participants in the program”. There are ten “Best Practices for States” identified by HCFA.*

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**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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**FINDING 00-CHS-18: The Department For Medicaid Services Should Improve
Claims Processing, Including The Dispute-Resolution Process With Drug Rebate
Manufacturers (Continued)**

Management's Response and Corrective Action Plan (Continued)

They Are:

- 1. Review receivables to determine correct balances, including records of payments, invoices, etc. States should schedule time to do a thorough review of a Manufacturer's accounts prior to beginning to work on resolving disputes.*
- 2. Scheduling/Prioritizing/Resources Agreement. States should place a priority on resolving the oldest outstanding quarters as soon as possible. States should move to resolve the largest outstanding dollar amounts before dealing with some of the smaller dollar amounts.*
- 3. State and Manufacturer should both commit to a process that leads to a resolution. States and Manufacturers should jointly develop and individually commit to a strategy that will lead to a resolution in a timely manner. Each Manufacturer is different therefore strategy will differ by labeler.*
- 4. Reconcile balances due to accounting/bookkeeping differences.*
- 5. States should work with Manufacturers to reconcile balances and disputes arising due to questions about utilization data. The most important thing that the State should do upon receiving notice from the Manufacturer that they are disputing is to understand the reason for the dispute.*
- 6. Agree to necessary unit adjustments from utilization/dispute discussion and document appropriately. Any proposal the State makes with respect to making adjustments to the Manufacturer's balance should be documented. Finalized resolutions should be documented as well and should be included as part of the drug rebate file.*
- 7. Agree upon "corrected" units and rates should be compared to records again to determine final dollar balances due for resolution.*
- 8. Complete resolution acknowledgement (resolution letter). Once the State and Manufacturer have reached an agreement on the steps each party will take to resolve the dispute, the agreement should be documented.*
- 9. Monitor timely receipt of final resolution.*

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CHS-18: The Department For Medicaid Services Should Improve
Claims Processing, Including The Dispute-Resolution Process With Drug Rebate
Manufacturers (Continued)**

Management's Response and Corrective Action Plan (Continued)

10. Post resolution payments and document resolution closure. Once both parties have reached agreement and are able to post a zero balance, that agreement should be documented and maintained in both entities' files.

The Department does currently follow six of the ten "Best Practices" and will consider if the remaining four improve the process enough to be implemented.

The \$79 million referred to is the ending balance of the total in outstanding invoices from the beginning of the Pharmacy Rebate Program in June 1991 to June 30, 2000. In state fiscal year ended June 30, 2000, the Department invoiced Manufacturers for a total of \$86 million. Of this amount invoiced in fiscal 2000, the Department received \$67 million, or 78% of the amount invoiced. Of the \$79 million ending balance as of June 30, 2000, \$19 million applies to amounts invoiced in fiscal 2000. Earlier periods are in dispute. The Department has contracted with an outside contractor with expertise in the Pharmacy Rebate Program to assist in the dispute resolution process. During the December 31, 2000 quarter, \$58 million was entered as an adjustment to the September 30, 1992 and the December 31, 1992 quarters.

During the December 31, 2000 quarter, the amounts were reversed. Elimination of this adjustment from the \$79 million balance shown, at June 30, 2000 will change the June 30, 2000 balance to \$21 million, or \$2 million from prior fiscal years.

- 3. The HCFA "best practices" guideline indicates that a State may establish a threshold of \$50 per labeler per quarter for States to opt not to send or pursue invoice collection. The Department is awaiting a decision from HCFA on the possibility of the threshold being increased from the \$50 per labeler level and including the age of the account receivable. If the State adopts a threshold, HCFA does require the State to maintain documentation identifying the quarter, the labeler, the NDC's, the units involved and the amount involved.*

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CHS-18: The Department For Medicaid Services Should Improve
Claims Processing, Including The Dispute-Resolution Process With Drug Rebate
Manufacturers (Continued)**

Auditor's Reply

At the time of this printing, CHS could not adequately explain the origin of the \$58 million adjustment or the reason therefore. We are also concerned with the lack of a resolution process that will eliminate carrying such large balances for long periods of time. Although the agency indicates a substantial reduction in the unresolved balances subsequent to our audit period, we would suggest that the agency vigorously seek methods to resolve these disputes and further reduce this unresolved balance. We further suggest that the agency implement all of the suggested policies consistent with the HCFA "Best Practices" guide. Although this part of the program function is performed by a third party, we believe the agency should consider having a more involved role in this particular feature of the program.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CHS-19: The Division of Substance Abuse Should Establish
Procedures To Monitor Progress Reports**

State Agency: Cabinet for Health Services

Federal Program: CFDA 93.959 - Block Grants for Prevention and Treatment of
Substance Abuse

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Entity: Not Applicable

Compliance Area: Subrecipient Monitoring

Amount of Questioned Costs: None

The contract between the Division of Substance Abuse (SA) and CMHC requires progress reports and prevention outcome reports to be submitted by CMHC. In FY 00, there was a transition by SA from manual reports to electronic reports. Because of this change, there was a hybrid of manual and electronic reporting during the year. However, all these progress reports were not submitted on time.

Of the 14 CMHC,

- 9 did not submit timely electronic progress reports,
- 2 did not submit the manual progress reports,
- 2 did not submit timely manual progress reports,
- 1 did not submit the prevention outcome report, and
- 1 did not submit the prevention outcome report in a timely manner.

Failure to submit reports and submitting reports late, hinders appropriate program staff from monitoring contract compliance and progress made toward meeting the goals and objectives outlined in the annual Plan and Budget. Reporting failures also skew performance measures periodically calculated by program staff and hinders on-site reviews because priority areas and evaluation of prevention performance measures cannot be identified to investigate during an on-site visit.

OMB Circular A-133 section 400 paragraph (d)(3) requires states to “monitor the activities of subrecipients to ensure that Federal awards are used for authorized purposes in compliance with laws, and regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.” One way the SA staff monitors compliance is through subrecipient reporting of their progress and a review of these progress reports. This off-site monitoring provides a base for on-site monitoring of the Substance Abuse Prevention and Treatment (SAPT) block grant subrecipients.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CHS-19: The Division of Substance Abuse Should Establish
Procedures To Monitor Progress Reports (Continued)**

Recommendation

We recommend SA develop policies and procedures to follow when subrecipients do not submit progress reports. Reminder letters should be sent when progress reports are not submitted in a timely manner. Per the contract, payments can be withheld for persistent neglect to submit progress reports. We further recommend that these policies and procedures be a part of the contract between SAPT and CMHC.

Management's Response and Corrective Action Plan

The Division has instituted the following procedures to correct the weaknesses in the monitoring of data reports from the Regional Prevention Centers and Champions.

- 1. The RPC and Champions Reporting Instructions included in all FY 2001 CMHC contracts communicated the following performance expectation:*

“Timeliness: 95% of all activities will be entered into the Prevention Data Set (PDS) by the end of the month following their completion.”

- 2. Beginning in February 2000 the Division began producing monthly reports that are sent back to each RPC. The purpose of the reports is to alert both the RPC Directors and Division staff monitoring the programs to the status of the RPC with regard to data submission. Reports were sent each month except for July and October of 2000. During those months, our data system was down for extended periods, hampering our capacity to produce the reports.*
- 3. The reports have gone through a number of enhancements since their inception. The enhancements have added information relevant to a number of performance measures that will be calculated for each center at the end of FY 2001.*

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CHS-19: The Division of Substance Abuse Should Establish
Procedures To Monitor Progress Reports (Continued)**

Management's Response and Corrective Action Plan (Continued)

4. *Since there is, and cannot be, any definite expectation for the number of data entries per month per center, monitoring focuses on centers that have very low or zero entries for the month. The program monitor scans the monthly data reports for each center, and sends an e-mail inquiry to centers whose data entry appears low. This has been done intermittently to date, but will be done on every month beginning immediately. (See attached Division Policy and Procedure.)*
5. *The following internal Division policy will be instituted immediately to address RPC failure to enter data: If a center fails to provide any data for two consecutive months, a notice will be sent the CMHC Executive Director requesting an investigation of the causes of the problem and given a deadline for corrective action. Payments will be held for non-compliance. (See attached Division Policy and Procedures.)*

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CHS-20: The Cabinet For Health Services Should Improve Controls Over Providers

State Agency: Cabinet for Health Services

Federal Program: CFDA: 93.778 - Medical Assistance Program

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Entity: Not Applicable

Compliance Area: Allowable Costs

Amount of Questioned Costs: None

The auditor examined 35 types of providers to verify they were eligible to participate in the Medical Assistance Program (MAP). Provider files were reviewed for proper forms and a current license (if required) to determine if the provider is eligible. In some instances, forms were reviewed on a system called Optical Character Recognition-Assisted Data Entry System (OADES). UNISYS has taken over the provider enrollment functions of Medicaid, so this system was put into place. MAP forms, licenses, etc., were imaged into this system so UNISYS can view documents sent in by providers as part of the enrollment process because all provider files are still maintained by the DMS. Based on the auditor's testing, the following exceptions were noted:

- Six files could not be located nor was any information found in the OADES system.
- Six files did not contain a MAP 343B form.
- Three files did not contain a MAP 380 form when applicable.
- Eight files did not contain a copy of the current license in the file.

In addition to the above testing of various types of providers, the auditor also examined 20 active pharmacies during FY 00. Provider files were again reviewed for proper forms and a current license. The auditor also verified end dates per the Ad Hoc report obtained during the audit with end dates in the RUMBA system. There were 58 closed pharmacies reviewed during testing. The closed pharmacies were selected from information obtained from the Kentucky State Board of Pharmacy (SBOP). The auditor verified the effective closed date per the SBOP information with the end date in the RUMBA system. It should be noted that the SBOP allows a pharmacy to operate 30 days without a license and the DMS does not end date a pharmacy until 60 days after the effective close date so all claims can be paid to the pharmacy for services rendered.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CHS-20: The Cabinet For Health Services Should Improve Controls Over Providers (Continued)

This information was taken into consideration during testing. Based on the auditor's testing, the following exceptions were noted:

- One file did not contain a MAP 380 form when applicable.
- Five files did not contain a copy of the current license in the file.
- Twenty-four of the 58 closed pharmacies tested did not designate the proper end date.

During previous years' audits, there has been a weakness noted for pharmacies not being end dated properly. We recommended that DMS obtain monthly a listing from the SBOP of any changes made to pharmacies during that month. This information includes new and closed pharmacies and any name or ownership changes made to a pharmacy. This information was obtained during FY 00. However, the weakness was still noted by the auditor.

If provider files or the MMIS system is not updated properly, payments for services rendered could be made to ineligible providers. In addition, if provider files are not kept current, personnel may have difficulty ascertaining the status of providers in MAP.

907 KAR 1:672 Section 2 (4)a states: "[a]ll applicants for participation shall complete and sign a Provider Agreement, Disclosure of Ownership and Control Interest Statement, Certification with regard to Lobbying Activity, pursuant to 31 USC 1352, provider proof of a valid Professional License Registration, or Certificate which allows the applicant to provide the services for which the applicant contracts, and provide any additional clarifying information requested for processing of the application." Section 3 (4) states: "[t]he provider shall file an amended, signed ownership and disclosure form with the department within thirty-five (35) days from change in the following: (a) Ownership or control; (b) The managing employee or management company; or (c) A provider's federal tax identification number." Section 3 (5) further states: "[f]ailure to comply with the requirements may result in termination from the Medicaid program."

The DMS Pharmacy Manual, page 3.1, specifies, "[a]ny pharmacy holding an operation permit from the Board of Pharmacy in the state in which the pharmacy is located may participate in the Kentucky Medicaid Program." Hence, a pharmacy must have a valid operation permit on file to participate in Kentucky Medical Assistance Program (KMAP).

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CHS-20: The Cabinet For Health Services Should Improve Controls Over Providers (Continued)

Strong internal controls dictate that a method be established and maintained, which monitors providers on a continuous basis and uses only those providers that have satisfied the eligibility requirements for Medicaid participants. In addition, the controls should be in place so providers are end dated properly to ensure only eligible providers are receiving reimbursement for services rendered.

Recommendation

We recommend:

- DMS monitor the provider enrollment functions that have been contracted out to UNISYS more closely. This should include reviewing and updating provider files for the required documents. Failure to do so could allow ineligible providers to be reimbursed.
- DMS institute controls to ensure that all changes to a pharmacy's operational and licensure status be obtained and subsequently updated in the MMIS, where appropriate. This should be done by continuing to obtain information from the SBOP on a monthly basis and by enforcing providers to disclose ownership or control information to UNISYS. Once the information is obtained, appropriate changes should be made to the MMIS.
- Controls be put into place and operate effectively to ensure all providers submit the proper information for their files to be current and in compliance with the conditions to participate in the KMAP.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CHS-20: The Cabinet For Health Services Should Improve Controls Over Providers (Continued)

Management's Response and Corrective Action Plan

The Department for Medicaid Services provider enrollment staff has researched the deficiencies found and has the following response for FYE 6/30/00 audit.

- Provider enrollment staff has implemented a database on ACCESS to track the providers as they are reviewed during the monitoring of provider enrollment functions. This database also gives us a log to track any problems that Unisys may be having with the provider enrollment process, these problems are then reported to the report care, as well as all actions taken by this office and Unisys to correct this problem.*
- Unisys produces a weekly report, which is delivered to the provider enrollment staff of the Department for Medicaid Services. This report contains providers that have been newly enrolled in the Medicaid Program and providers who have updated their enrollment. From this list, 10-15 providers are selected for the monitoring of the newly and updating providers for that week. At the end of the month, these applications are compared to the GUI system for accuracy and then logged on the database. If problems are found, Unisys is notified by memo and has 15 days from date of memo to respond with corrective actions taken.*
- Provider enrollment staff receives a box of correspondence changes approximately bi-weekly sometimes monthly. In these boxes are address changes, group crossover additions, etc. From these boxes 20-25 provider numbers are selected to compare to the GUI system for accuracy. Same procedure as the newly enrolled.*
- The Department for Medicaid Services receives a quarterly report from SBOP. These changes are forwarded to Unisys for appropriate corrections to be made. This is part of the Provider Enrollment monitoring to make sure the SBOP changes are implemented.*
- DMS Provider Enrollment reviews applications when received from Unisys for approval. Applications are signed to become a participating Kentucky Medicaid provider.*

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CHS-21: The Department For Medicaid Services Should Comply
With The Interagency Agreement With The Office Of Inspector General**

State Agency: Cabinet for Health Services

Federal Program: CFDA 93.778 - Medical Assistance Program

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Entity: Not Applicable

Compliance Area: Special Tests and Provisions

Amount of Questioned Costs: None

The Division of Long-Term Care in DMS is responsible for controlling the utilization of Medicaid Services in institutions. The federally required utilization reviews are performed by the federally designated peer review organization (PRO), which contracts with DMS to provide these services. The PRO is responsible for utilization reviews for Intermediate Care Facilities/Mental Retardation/Developmentally Disabled (ICF/MR/DD) and Skilled Nursing Facilities (SNF). These utilization reviews consist of initial level of care evaluations, on-site reviews, and continued stay determinations.

DMS contracts with the Division of Licensing and Regulation (L&R), a division of the OIG, to provide a quality control mechanism for monitoring the level of care determinations which are made by the PRO on behalf of Medicaid recipients seeking admissions to nursing facilities. During our review of the PRO, we tested the OIG monitoring procedures.

The auditor randomly selected monitoring forms for the 3rd Quarter FY 00 to review. As required by the Interagency Agreement, L&R submits monitoring forms to the DMS as part of the PRO's monitoring of SNFs. These forms were submitted to the DMS indicating the number of recipients/patients L&R has reviewed for each provider.

Our tests were designed to verify monitoring forms were submitted to DMS in accordance with the Interagency Agreement, that is, within 30 days of the previous on-site review. In addition, we determined if the number of recipients reviewed for level of care determinations from the provider agreed with the Monthly Monitoring Summary Form prepared by DMS. Finally, we attempted to determine if L&R submitted a list of the facilities reviewed to DMS no later than the 5th working day of the following month as stipulated in the Interagency Agreement.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CHS-21: The Department For Medicaid Services Should Comply
With The Interagency Agreement With The Office Of Inspector General
(Continued)**

The results of our testing noted the following exceptions:

- We tested the entire quarter and determined that 44 of the monitoring forms were not submitted by L&R within 30 days of the last date of on-site review, as is needed in order to be in compliance with the Interagency Agreement.
- Eight of the monitoring forms were never submitted by L&R to DMS.
- DMS did not stamp the received date on eight of the monitoring forms, thus we could not determine whether the forms were submitted by L&R within 30 days of the last date of on-site review.
- We determined that 726 recipient cases were reviewed by L&R, however, DMS indicated on the Monthly Monitoring Summary Forms 738 recipient cases were reviewed. The number of recipient cases reviewed by L&R should agree with the summary of reviews indicated by DMS.
- In addition, the Monthly Monitoring Summary Forms were not reviewed for completeness by DMS.
- Finally, DMS did not keep a list of the original monthly reports submitted by L&R.

If proper on-site review procedures are not followed by L&R, DMS' responsibility for level of care determinations and utilization control activities in ICF/MR/DD's and SNF's cannot be fulfilled.

Per the Interagency Agreement between the DMS and L&R entered into on July 1, 1999, L&R "shall make an independent level of care determination for each recipient whose file is reviewed and shall forward its findings to the First Party (DMS) within thirty (30) calendar days after the last day of the on-site review". Thus, L&R is responsible for forwarding the Monthly Monitoring Summary Forms to DMS within 30 days after the last day of the on-site review.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CHS-21: The Department For Medicaid Services Should Comply With The Interagency Agreement With The Office Of Inspector General (Continued)

In addition, the Interagency Agreement between DMS and L&R states that L&R “will provide the First Party (DMS) the names of the ICF/MR/DD and NF reviewed at the end of each month or no later than the fifth (5th) working day of the following month.” Good internal controls dictate that the list of names submitted by L&R be kept as part of DMS’s monitoring process.

Finally, the Long Term Care – Quality Assurance narrative that was updated by DMS personnel for FY 00 states that “a Medicaid staff member signs the [Summary] report and another employee signs it to verify it has been completed.”

Recommendation

We recommend that:

- The Interagency Agreement between OIG, L&R and DMS be amended to state under “I. Schedule of Facility Review” that OIG provide DMS with the names of the ICF/MR/DD’s and SNF’s scheduled to be reviewed one month prior to the month scheduled for review. This change would enable DMS to effectively monitor quality control in regards to level of care determinations.
- L&R submit Monthly Monitoring Summary Forms to DMS within 30 days of the last day of the on-site review in order to be in compliance with the Interagency Agreement, thus meaning that all Monthly Monitoring Summary Forms be submitted properly.
- DMS record on each Monthly Monitoring Summary Form the date that it was received from L&R.
- The Monthly Monitoring Summary Form should be reviewed and signed by two people to verify its completeness.
- The lists submitted by L&R be kept by DMS as part of the monitoring process and to practice acceptable internal controls.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CHS-21: The Department For Medicaid Services Should Comply
With The Interagency Agreement With The Office Of Inspector General
(Continued)**

Management's Response and Corrective Action Plan

A meeting has been held with OIG to review requirements of the interagency agreement and OIG staff training by DMS has been scheduled.

DMS staff have been in-serviced on the necessity of assuring all documents are date-stamped.

DMS staff has been in-serviced on the necessity of reviewing all forms for accurate information and to follow-up with the OIG for correction and clarification

DMS will keep list of the original monthly reports submitted by L&R.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CHS-22: The Cabinet For Health Services Should Develop Procedures To Ensure Vendors Providing Services To Federal Programs Are Not Debarred Or Suspended By The Federal Government

State Agency: Cabinet for Health Services

Federal Program: All Federal Assistance Programs

Federal Agencies: U.S. Department of Agriculture, U.S. Department of Justice, U.S. Department of Labor, U.S. Environmental Protection Agency, U.S. Department of Energy, U.S. Federal Emergency Management Agency, U.S. Department of Education, U.S. Department of Health and Human Services, and U.S. Department for National and Community Services

Pass-Through Entity: Not Applicable

Compliance Area: Procurement and Suspension and Debarment

Amount of Questioned Costs: None

CHS did not have a system in place to identify debarred and suspended parties or to prevent them from doing business with state-administered federal programs. This has been a **prior year audit finding** for CHS and FAC. FAC recently issued a draft policy statement to all state agencies to obtain a certification from successful vendors that they are not debarred from doing business with the federal government prior to award of any contract. CHS has always obtained certification from subrecipients that they are not suspended or debarred before an award is granted. However, CHS has been deficient in ensuring that procurement contracts of \$100,000 or more are not issued to vendors who are suspended or debarred.

CHS expected the new accounting system, MARS, to have the capability to identify debarred/suspended vendors. MARS was implemented July 1, 1999; in its present state, it does not have this capability. CHS expected to implement this finding with the implementation of MARS. Thus, no other action was taken to correct this deficiency.

CHS entered into 23 contracts with outside vendors during FY 00 that were equal to or greater than \$100,000; however, none of these vendors was suspended or debarred. A lack of controls in place to verify whether vendors or potential vendors have been suspended or debarred from transacting business with state administered federal programs could result in CHS conducting business with vendors excluded from federal procurement.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CHS-22: The Cabinet For Health Services Should Develop Procedures To Ensure Vendors Providing Services To Federal Programs Are Not Debarred Or Suspended By The Federal Government (Continued)

Federal Executive Order 12549 Section 5 requires that the federal government compile a list of debarred and suspended vendors. The Common Rule prohibits agencies receiving federal funds from using these vendors. In addition, OMB Circular A-133 Compliance Supplement Part 3, Section I requires the agency to ensure that contractors receiving more than \$100,000 and all subrecipients must certify to the agency that the organization is not suspended or debarred.

Recommendation

We recommend CHS implement the policy statement drafted by FAC when it is finalized concerning federal procurements of \$100,000 or more.

Management's Response and Corrective Action Plan

The Cabinet for Health Services concurs with the recommendation that CHS implement the policy statement drafted by the Finance and Administration Cabinet when it is finalized concerning Federal procurements of \$100,000 or more.

CHS currently obtains certification from its subrecipients and Personal Service Contract holders through a contract clause, which states that by signing the contract, they are not suspended or debarred.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CWD-23: The Department For Training And Reemployment
Should Comply With JTPA Regulations And OMB Circular A-133 Regarding
Resolution Of Subrecipient Audit Findings**

State Agency: Cabinet for Workforce Development

Federal Program: CFDA 17.250 - Job Training Partnership Act and
CFDA 17.246 – Employment and Training Assistance – Dislocated
Workers

Federal Agency: U.S. Department of Labor

Pass-Through Agency: Not Applicable

Compliance Area: Subrecipient Monitoring

Amount of Questioned Costs: Unknown

During the FY 00 audit, we tested the audit log maintained by the Department for Training and Reemployment (DTR) (formerly the Office of Training and Reemployment (OTR)) to track subrecipient monitoring related to the required audits of subrecipients. During this review, the auditor noted several incidences in which DTR did not obtain, review, reconcile, and resolve Service Delivery Area (SDA) audits in a timely manner.

Furthermore, this is a **prior year audit finding**, which has been noted since the FY 96 audit of the JTPA program as an other matter comment and was upgraded to a reportable condition in FY 99. The agency's prior year corrective action plan indicated that the agency take the necessary steps to strengthen controls over monitoring of subrecipient audits. However, our testing indicated that deficiencies within the audit monitoring system had not been corrected.

We tested 10 SDAs which represented 100% of the SDAs listed in the audit log. The results of our testing noted the following deficiencies:

- Three incidences in which DTR did not obtain the SDA audit reports in a timely manner. The receipt of the audit reports in an untimely manner delays the entire resolution process. It also increases the likelihood that subrecipient weaknesses noted in the audit continue for a longer period of time since they are not being addressed.
- One incident in which DTR did not resolve subrecipients' audit report findings in a timely manner. According to the Financial Management Guide and the federal regulations for JTPA, the agency has 180 days to resolve these matters. Again, untimely resolution of audit findings increases the likelihood that subrecipient weaknesses noted continue for a longer period of time since they are not being addressed.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CWD-23: The Department For Training And Reemployment
Should Comply With JTPA Regulations And OMB Circular A-133 Regarding
Resolution Of Subrecipient Audit Findings (Continued)**

- Ten incidences in which DTR did not receive a cognizant agency letter determining whether the subrecipient audits were in compliance with OMB Circular A-133. The agency completed a technical review of the subrecipient FY 99 audits, which auditors have accepted as satisfying this requirement. However, auditors have recommended that, in the future, DTR use the “SCX-18: Single Audit Reports Checklist,” as this is a more comprehensive review than the checklist currently used by the agency. Adequate review of the audit is necessary to obtain any other assurance that subrecipients complied with OMB Circular A-133, as required by the regulations.
- Ten incidences in which the agency’s records were not reconciled to the SDA’s audited financial statements. This should be performed to ensure that the audited financial statements agree with the amounts reported in the agency’s grant accounting records. Unreconciled financial statements lead to the potential for federal reporting that does not agree to the financial statements on which an opinion has been given.
- Deficiencies noted during the FY 99 audit were not corrected.

These repeat findings indicate DTR failed to implement the corrective action plans submitted in each of the past four years. OMB Circular A-133 requires the auditor to follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings, and report when the summary schedule of prior audit findings materially misrepresents the status of any prior audit findings. Since the agency has repeatedly failed to implement the corrective action plans submitted, we conclude that the Summary Schedule of Prior Audit Findings for the fiscal year ended June 30, 1999 for CWD has been materially misrepresented.

OMB Circular A-133 states that the funding agency should be sent a copy of the audit report within the *earlier* of 30 days after [the subrecipient’s] receipt of the auditor’s report(s), or 9 months after the end of the audit period. This requirement is also outlined in the OTR’s Financial Management Guide. This requirement is in effect for fiscal years beginning after June 30, 1998; previously the requirement was 13 months. [OMB Circular A-133 Subpart B, Sec 235 (c) (1).]

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CWD-23: The Department For Training And Reemployment
Should Comply With JTPA Regulations And OMB Circular A-133 Regarding
Resolution Of Subrecipient Audit Findings(Continued)**

The regulations of the JTPA program state, “[e]ach entity that receives JTPA program funds and awards a portion of those funds to one or more subrecipients shall: (1) Ensure that each subrecipient complies with the applicable audit requirements; and (2) Resolve all audit findings that impact the JTPA program with its subrecipient and ensure that corrective action for all such findings is instituted within 6 months after receipt of the audit report [re: resolution of findings].” [20 CFR 627.480 (d) (1) and (2).]

OMB Circular A-133 states that the pass-through entity should consider whether subrecipient audits necessitate adjustment of the pass-through entity’s own records. [OMB Circular A-133; Subpart D Sec 400 (d) (6).]

The OTR Financial Management Guide states, “[t]he SDA is responsible for the reconciliation of the audited financial statements to the JTPA program records maintained in their accounting systems.” [OTR FMG, August 1998].

Recommendation

We recommend CWD and DTR implement procedures to ensure compliance with the JTPA/WIA regulations, OMB Circular A-133 and the OTR Guidelines regarding audit resolutions of subrecipients.

Management’s Response And Corrective Action Plan

The Department of Training and Reemployment (DTR) is currently in the process of transferring the subrecipient audit review process from the Financial and Program Operations Branch to the Program Compliance and Support Branch. We anticipate this move to result in additional staff being assigned to the review process which will enable us to meet the deadlines imposed by OMB Circular A-133 for receipt and review of the audits as well as resolution of any reported findings.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CWD-24: The Division Of Unemployment Insurance Should Use Valid And Accurate Supporting Documentation For Reports ETA 191 And ETA 2112

State Agency: Cabinet for Workforce Development
Federal Program: CFDA 17.225 – Unemployment Insurance
Federal Agency: U.S. Department of Labor
Pass-Through Agency: Not Applicable
Compliance Area: Reporting
Amount of Questioned Costs: Unknown

During the testing of compliance for the Unemployment Insurance reporting requirement, the auditor noted the following exception:

- The ETA 191 and ETA 2112 both rely on the agency cashbook for supporting documentation. The agency cashbook was unreconciled in the financial statement portion of the audit. Therefore, these federal reports are not based on a reliable source of information. The auditor was unable to determine the amount of the error due to the unreconciled cash records.

We noted this as a **prior year audit finding** and we conclude the agency response was materially misrepresented since they did not correct this finding as they had stated in their response that reconciliations would be completed by June 30, 2000.

The source data for the federal reports are unreliable agency records. Therefore, the federal government does not receive an accurate assessment of the activity occurring within the Kentucky Unemployment Insurance program.

Proper internal controls dictate that accurate information should be presented when preparing and transmitting federal reports. Thus, reports can be supported by valid and accurate supporting documentation.

Recommendation

We recommend that all current and future federal reports be corrected using valid and accurate supporting documentation of these reports.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

FINDING 00-CWD-24: The Division Of Unemployment Insurance Should Use Valid And Accurate Supporting Documentation For Reports ETA 191 And ETA 2112 (Continued)

Management's Response And Corrective Action Plan

As the state auditor is aware significant changes have been taken by DES to rectify the problems with the unreconciled back years for Tax and Benefit accounts to the respective bank statements and to the State accounting system. We have changed personnel responsible for doing the Trust Fund accounting. The reconciliation of the tax and benefits accounts back years was completed in April of 2001. DES had to make a one-time adjustment to the Cashbooks. Tax's adjustment was made in April and benefits at June Final 2001. Treasury made adjusting entries in April to bring MARS into balance with the bank once the reconciliations were completed. These adjustments bring the Cashbooks into balance with MARS and the bank. DES waited to make an adjustment in the benefits cashbook at June Final to be sure no outstanding to be processed in MARS. These one time adjustment would bring the ETA 191 and 2112 into balance at the same time the books were brought in line, thus not require a restatement of all old reports.

DES has put into place a daily reconciliation of the Cashbooks. Daily reconciliation of the accounts allows tracking of the flow of all monies coming in and out of the bank. The position and duties has been moved under the Director of Division of Administration. This was to provide for better segregation of duties.

The Division Direct of Financial Management now have the responsibility for reconciling the Cashbooks to MARS Report 2550 (State Accounting System formally STARS) and forwarding a copy of the reconciliation report to the Director of Unemployment Insurance for his notification and review on a monthly basis. This was to address the concerns expressed of having someone other than person initiating and recording transactions into the cashbook doing the reconciliation.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CWD-25: The Department For Training And Reemployment
Should Complete The Process Of Reviewing Subrecipient Invoices And Updating
MARS To Accurately Reflect Actual WIA Expenditures**

State Agency: Cabinet for Workforce Development

Federal Program: CFDA 17.255 – Workforce Investment Act

Federal Agency: U.S. Department of Labor

Pass-Through Agency: Not Applicable

Compliance Area: Reporting

Amount of Questioned Costs: Unknown

While testing federal reports submitted by DTR for the Workforce Investment Act (WIA) in FY 00, auditor's learned that expenditure invoices for subrecipients had not been reconciled in a timely manner and MARS had not been updated to reflect actual subrecipient expenditures. Expenditure records in MARS included only records of drawdowns to the subrecipients and did not reflect actual expenditures reported by the local areas in monthly or quarterly invoices.

- MARS did not support expenditure amounts submitted on federal reports.
- Payments to two subrecipients, Louisville-Jefferson and NCKC, were not made on a timely or consistent basis. During tests of allowable expenditures, auditors found three incidents where reimbursement to these subrecipients were not made in a timely manner. Two of the late payments were made three months following receipt of the invoice and one was made six months after receipt of the invoice.
- Failure to reconcile subrecipient invoices on a timely basis could result in undetected errors and potentially the issuance of inaccurate reports and reimbursement of incorrect or unsubstantiated amounts. In addition, this could prevent the agency from reconciling subrecipient audited financials to the agency's records as required by OMB Circular A-133.

Good internal controls dictate that the agency maintain adequate supporting documentation for reports submitted to the federal government. Agency procedures should be established to ensure the accuracy and completeness of data processing and output results. Agency policy requires a quarterly update to MARS to reflect accurate expenditure activity as a result of the subrecipient reconciliations.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CWD-25: The Department For Training And Reemployment
Should Complete The Process Of Reviewing Subrecipient Invoices And Updating
MARS To Accurately Reflect Actual WIA Expenditures (Continued)**

20 CFR 627.425 (a) (1) states, in part, “[t]he financial management system...of each recipient and subrecipient shall provide federally required records and reports that are uniform in definition, accessible to authorized Federal and State staff, and verifiable for monitoring, reporting, audit, program management, and evaluation purposes (sections 165(a) (1) and (2), and 182).”

OMB Circular A-133 states that the pass-through entity should consider whether subrecipient audits necessitate adjustment of the pass-through entity’s own records. [OMB Circular A-133; Subpart D Sec 400 (d) (6).]

Recommendation

We recommend DTR complete the process of reviewing subrecipient invoices and updating MARS to accurately reflect actual WIA expenditures. Further, we recommend the agency implement additional controls or procedures necessary to ensure the timely update of MARS and payment of subrecipients.

Management’s Response And Corrective Action Plan

The Department of Training and Reemployment (DTR) agrees with the finding in that the subrecipient invoices submitted by the local Workforce Investment Areas (LWIAs), form DTR-38, Quarterly Cash Reconciliation/Invoice, were not reconciled to MARS for FYE June 30, 2000.

However, we disagree with the auditor’s contention that reconciling the subrecipient invoices to MARS will result in the subrecipients’ actual expenditures being stated correctly in MARS to support the federal reports for the following reasons:

- (a) The LWIAs draw cash from the State via wire transfers to cover their expenses incurred for all grants that are currently open. If an LWIA draws cash in excess of the amount needed to cover current expenditures (this happens on a regular basis since some wire transfer request are based on estimates) then the MARS system will indicate more expenses incurred than the quarterly LWIA invoices. The difference will be the amount of excess cash that has been drawn down.*

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CWD-25: The Department For Training And Reemployment
Should Complete The Process Of Reviewing Subrecipient Invoices And Updating
MARS To Accurately Reflect Actual WIA Expenditures (Continued)**

Management's Response And Corrective Action Plan (Continued)

(b) In those instances where an LWIA incurs and reports more expenses on the quarterly invoices than they have drawn cash through MARS to cover, then the MARS system will indicate less expenses incurred than the quarterly LWIA invoices indicate.

Currently, DTR accumulates the wire transfers, expenditures and amounts obligated as reported by the LWIAs through the quarterly invoices into a statewide grant expenditure worksheet by individual grant. This worksheet is reconciled to MARS and serves as supporting documentation for the quarterly federal reports.

To correct the finding DTR will reconcile the LWIA quarterly invoices for June 30, 2000 to the wire transfer amounts recorded in MARS and make the necessary adjustments to our records to properly state the amount of wire transfers within the respective grants.

DTR will strive to process the payment of invoices for Louisville-Jefferson and NCKC on a more timely basis during the next fiscal year. It should be noted that both of these subrecipients began drawing cash for the WIA program via the wire transfer system effective April 2001 and will not be submitting invoices for reimbursements after that date.

DTR agrees with the finding. Once the corrective actions outlined above have been implemented, this situation should be alleviated.

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

**FINDING 00-CWD-25: The Department For Training And Reemployment
Should Complete The Process Of Reviewing Subrecipient Invoices And Updating
MARS To Accurately Reflect Actual WIA Expenditures (Continued)**

Auditor's Reply

Auditors disagree with the agency's contention that updating MARS with LWIA quarterly invoices will not result in MARS accurately reflecting expenditures. When the LWIAs drawdown funds, MARS reflects only the drawdown amount. The LWIAs are required to submit quarterly cash reconciliations detailing actual expenditures during the period. DTR has updated their grant report, an internal accounting record, to reflect these actual expenditures during FY 00. Federal reports were compiled using the grant report; however, the grant report is not the official accounting record. Despite the agency's contention that the grant report is reconciled to MARS the federal reports could not be verified with MARS.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions</u>					
<i>(1) Audit findings that have been fully corrected:</i>					
FY 99	99-C&I -1	Treasury Should Improve Procedures For Storing Supporting Documentation For The Reconciliation Process	N/A	0	Resolved during FY 00.
FY 99	99-CFC-2	The Cabinet For Families And Children Should Maintain Accurate And Complete Documentation To Support Information Reported In The Commonwealth’s Financial Statements	N/A	0	Resolved during FY 00.
FY 99	99-CFC-3	The Division Of Child Support Enforcement Should Retain Monthly Trial Balance Reports To Support The Accounts Receivable Balances Reported In The Financial Statements	N/A	0	Resolved during FY 00.
FY99	99-CFC-33	The Cabinet For Families And Children Should Reconcile All Payments That Require Adjustments	93.596	\$3,839	The questioned costs resulted from CFC not reconciling KCCMS to STARS. After the implementation of MARS, CFC began reconciling KCCMS and MARS daily. This finding and the questioned costs are resolved.
FY 98	98-CFC-25	The Cabinet For Families And Children Should Maintain Adequate Records To Ensure Compliance With Health And Safety Requirements	93.596	0	Resolved during FY 00.
FY 98	98-CFC-28	The Department For Social Insurance Should Implement Procedures To Ensure Adequate Supporting Documentation Is Maintained	93.658	\$4,325	CFC reimbursed the federal government for \$17,288 during FY 00. This finding is resolved.
FY 99				12,963	
FY00				(17,288)	
Total Questioned Costs				<u>\$0</u>	

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(1) Audit findings that have been fully corrected (Continued):</i>					
FY 97	97-CFC-36	The Department For Social Insurance Should Implement Procedures To Ensure Adequate Supporting Documentation Is Maintained	93.658	0	The unresolved issues of this finding were made part of 98-CFC-28, which has been resolved. See comment above.
FY 97	97-CFC-40	The Division Of Disability Determinations Should Implement A Security Policy	N/A	0	Due to improvements, this finding was downgraded to an other matter finding in FY 99. The finding is considered resolved for FY 00.
FY 99	99-FAC-5	The Finance and Administration Cabinet Should Develop A Policy Requiring Employees To Use A Password-Protected Screensaver	N/A	0	Agency determined to have adequate security policies for MARS. This finding is resolved.
FY 99	99-FAC-9	The Finance And Administration Cabinet Should Implement Policies And Procedures For Maintaining Adequate Supporting Documentation For All Expenditure Transactions	N/A	0	KAPS is no longer in use due to the implementation of MARS. This finding is resolved.
FY 99	99-FAC-10	The Finance And Administration Cabinet Should Improve Internal Controls Over Capital Construction Expenditure Transactions	N/A	0	Signature approval issues are not a main source of approval in MARS. This finding is resolved.
FY 99	99-FAC-11	The Finance And Administration Cabinet Should Improve Efforts In Effecting Equal Employment Opportunity Contract Compliance	N/A	0	Resolved during FY 00.
FY 99	99-FAC-15	The Division Of Contracting And Administration Should Improve Monitoring Of Compliance Regarding The Reporting Of Kentucky Revised Statute Violations	N/A	0	Resolved during FY 00.
FY 99	99-FAC-19	The Finance And Administration Cabinet Should Improve Monitoring For Duplicate Payments	N/A	0	Resolved during FY 00.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(1) Audit findings that have been fully corrected (Continued):</i>					
FY 99	99-FAC-20	The Finance And Administration Cabinet Should Improve Monitoring For Split Purchase Arrangements	N/A	0	Resolved during FY 00.
FY 99	99-FAC-21	The Governor's Office For Technology Should Improve Internal Controls For Ensuring Adequate Documentation To Support Agency Transactions	N/A	0	Resolved during FY 00.
FY 99	99-CHS-23	The Year-End Cash Balance For The County Health Central Bank Account Should Be Reported	N/A	0	Resolved during FY 00.
FY 99	99-CHS-24	The Office Of The General Counsel Should Improve Controls Over Contingent Liabilities	N/A	0	Resolved during FY 00.
FY 99	99-CHS-26	The Department Of Medicaid Services Should Strengthen Controls Over The Kentucky Health Care Program	N/A	0	Resolved during FY 00.
FY 99	99-CHS-37	The Cabinet For Health Services Should Improve Subrecipient Monitoring Procedures At The Department For Public Health	N/A	0	Resolved during FY 00.
FY 98	98-CHS-33	Subrecipient Monitoring Procedures At The Department For Public Health Should Be Improved	N/A	0	Resolved during FY 00. See comments for 99-CHS-37.
FY 98	98-CHS-34	The Department Of Public Health Should Develop Written Policies And Procedures For Significant Areas Of The Immunization Program	N/A	0	Resolved during FY 00.
FY 97	97-Personnel-10	The Personnel Cabinet Should Complete A Disaster Contingency Plan	N/A	0	The Cabinet has adequately insured computer equipment, as well as identified and documented specific procedures for critical business recovery functions. This finding is resolved.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(1) Audit findings that have been fully corrected (Continued):</i>					
FY 99	99-CWD-39	The Office Of Training And ReEmployment Should Ensure Federal Reports Can Be Verified Through Supporting Documentation	17.250 and 17.246	0	Resolved during FY 00.
FY 97	97-WFDC-53	The Cabinet For Workforce Development Should Ensure The Job Training Partnership Act Complies With Earmarking Requirements	17.246	\$42,039	During FY 00, the DES paid \$102,585 to the U. S. Department of Labor.
FY 98				60,546	
FY 00				(102,585)	
Total Questioned Costs				<u>\$0</u>	
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY99	99-CFC-31	The Cabinet For Families And Children Should Strengthen Controls In Preparing The Schedule Of Expenditures Of Federal Awards	N/A	0	CFC did not reconcile expenditures to FAC 2210; grant expenditures were charged to incorrect CFDA numbers; and, EBT distributions were not reported on the agency's FFA 3 Non-Cash Schedule.
FY 99	99-CFC-32	The Cabinet For Families And Children Should Reimburse The U.S. Department For Health And Human Services For Improper Payments	93.596	\$105,421	CFC reimbursed the federal government for the questioned costs; however, CFC still does not cross-reference expenditure documents to the original invoice when more than one expenditure document is prepared.
FY 00				(105,421)	
Total Questioned Costs				<u>\$0</u>	

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 99	99-CFC-35	The Department For Disability Determination Should Improve	N/A	0	This finding was reported in FY 97. In FY 98, the finding was not corrected. In FY 99, the corrective action taken was significantly different from the corrective action previously reported and a new finding and corrective action plan were reported, 99-CFC-35. The agency has made significant progress toward complying with audit recommendations. We have downgraded the finding status to a verbal comment.
FY 97	97-CFC-42	Program Modification Procedures			
FY 98	98-CFC-18	The Cabinet For Families And Children Should Improve Efforts To Enforce The Policies In Relation To The State Administrative Matching Grants For The Food Stamps Program	10.561	0	Twenty-nine of fifty-six claims were not established within six months of the discovery date. Effective January 2001, case workers will be evaluated on claims establishment. They will be expected to achieve a 95% timeliness standard.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 98	98-CFC-21	The Cabinet For Families And Children Should Integrate Systems	93.558	\$0	In response to prior audit recommendations, CFC integrated the KCA, KCL, and KAMES computer systems. CFC also worked with GOT and OTS to automate the claim process. However, during the FY 00 audit, we noted numerous exceptions with claims establishment. Beginning in January 2001, claims management will be criteria on caseworkers yearly performance evaluations. They are expected to achieve a 95% timeliness standard. The unresolved issues of finding 97-CFC-33 were made part of 98-CFC-21. 97-CFC-33 had unresolved questioned costs.
FY 97		To Improve The Claims Process For The TANF Program		23,175	
Total Questioned Costs				<u>\$23,175</u>	
FY 98	98-CFC-24	The Cabinet For Families And Children Should Maintain All Billing And Eligibility Documentation To Support Payments To Families Receiving Assistance From The Child Care And Development Fund	93.596	\$0	Our testing indicated that numerous case files did not contain adequate information to support recipient eligibility. The agency has issued a new handbook for service agents and recently conducted training on case management for supervisory staff.
FY 99				1,847	
Total Questioned Costs				<u>\$1,847</u>	

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 98	98-CFC-26	The Cabinet For Families And Children Should Ensure That Complete Records Are Maintained For TANF Recipients	93.558	\$0	We noted numerous exceptions with the claims process. Beginning in January 2001, claims management is a new expectation on caseworkers yearly performance evaluations. Caseworkers are expected to achieve a 95% timeliness standard. The unresolved issues of finding 97-CFC-34 were made part of 98-CFC-26. 97-CFC-34 had unresolved questioned costs.
FY 97				1,290	
Total Questioned Costs				<u>\$1,290</u>	
FY 98	98-CFC-27	The Cabinet For Families And Children Should Maintain Records To Support Payments To Participants In The Kentucky Works Program	93.558	\$0	During FY 00, we noted missing case files and documentation. This problem will be discussed at leadership meetings and there is a possibility case file management will be added to evaluations. The unresolved issues of finding 97-CFC-35 were made part of 98-CFC-27. 97-CFC-35 had unresolved questioned costs.
FY 97				777	
Total Questioned Costs				<u>\$777</u>	
FY 98	98-CFC-31	The Division Of Child Care Should Consistently Follow Logical Security Procedures For The Kentucky Child Care Management System	N/A	0	While improvements were made in this area during FY 00, some issues were not resolved.
FY 99	99-FAC-4	The Division of Statewide Accounting Services Should Ensure Only Authorized Budgetary and Transaction-Specific Overrides Are Made To System Tables	N/A	0	Comment not resolved even though now under MARS environment.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 99	99-FAC-6	The Division of Statewide Accounting Services Should Follow Established Procedures to Ensure Only Authorized Changes Are Made to System Tables	N/A	0	Budget overrides and system tables changes concerning overrides were noted as weakly controlled again in FY 00 under MARS.
FY 99	99-FAC-7	The Division Of Contracting And Administration Should Improve Internal Controls Relating To The Use Of Change Orders In Construction Contracts	N/A	0	During testing, we noted one change order without approval and lack of supporting documentation for another change order. This finding is not resolved.
FY 99	99-FAC-8	The Division Of Contracting And Administration Should Ensure Established Policies For All Capital Construction Bid Requirements Are Followed	N/A	0	Due to a missing file, this finding was not resolved.
FY 99	99-FAC-12	The Finance And Administration Cabinet Should Provide Sufficient Supporting Documentation For Capital Construction Expenditure Transactions	N/A	0	Several problems were noted during the expenditure test. This finding is not resolved.
FY 99	99-FAC-13	The Finance And Administration Cabinet Should Implement Policies And Procedures Relating To Small Or Small Minority Business Set-Aside Laws	N/A	0	The Disparity Study has not been completed. It should be released no later than March 2001.
FY 99	99-FAC-14	The Division Of Contracting And Administration Should Maintain Timely Affidavits Of Completion	N/A	0	Several affidavits of completion were not in the file. This finding is not resolved.
FY 99	99-FAC-16	The Division Of Contracting And Administration Should Implement Procedures For All Applicable Sections Of The Kentucky Revised Statutes	N/A	0	Due to the timing of our audit, we were not able to make recommendations for compliance until late in FY 00. However, we observed evidence of compliance in FY 01.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 99	99-FAC-17	The Finance And Administration Cabinet Should Provide Clear Language Regarding Enterprise Zones And Use Tax Exemptions Where Applicable	N/A	0	Testing did not include identification of geographical boundaries because it is no longer material to the audit.
FY 99	99-FAC-18	The Division Of Contracting And Administration Should Improve Policies Concerning Insurance Coverage For Construction Contracts	N/A	0	No expired insurance policies were found, but insurance policies were not in four different project files. This finding is not resolved.
FY 99	99-GOT-22	The Governor's Office For Technology Should Restrict Programmer Access To Production Libraries	N/A	0	No changes were noted during FY 00.
FY 99	99-CHS-36	The Department For Medicaid Services Should Improve The Controls Over Drug Rebate Billings, Collections, And Recording	N/A	0	During our review of this area of the Medicaid program we noted that the agency had implemented its corrective action for some of the weaknesses indicated in the prior year. However, we continue to note problems with both the corrective actions and other areas within the Drug Rebate Program. See 00-CHS-18.
FY 97	97-CHS-49	The Department For Public Health Should Develop A Complete Information System Security Policy	N/A	0	Some progress was made, however, there is no formal information system security policy in place.
FY 99	99-CHS/CDP-27	Custom Data Processing Inc. Should Require Formal Requests For All Program Changes	N/A	0	It was noted that requested changes must be in written format, however, this procedure is not followed consistently.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 98	98- CHS/CDP-1	Custom Data Processing, Inc., Should Improve Logical Access Security Procedures For The Cabinet For Health Services System Applications	N/A	0	No changes were noted during FY 00.
FY 98	98-KSFB-8	General Ledger Accounts Should Be Analyzed And Reconciled To Underlying And Supporting Records On A Timely Basis	N/A	0	During FY 00 the accounting staff implemented the new accounting and reporting system at the same time MARS was implemented. We noted improvement in this area over the prior fiscal year. Follow-ups after the fiscal year end have indicated further improvement.
FY 98	98-MA-36	The Department Of Military Affairs Should Strengthen Procedures For Monitoring Subrecipients	83.544	0	MA recently filled a clerical position and has a memorandum of agreement with the University of Kentucky for 2 employees to assist the Mitigation Officer. This puts the agency in a better position to accomplish audit reviews timely. The agency resolved \$34,747 in questioned costs. The Bell County Judge Executive agreed to repay the remaining \$27,753 on a payment schedule of \$10,000 a year until the amount is repaid. However, the county has not made any payments at this time.
FY 97	97-Military Affairs-50	The Department Of Military Affairs Should Strengthen Procedures For Monitoring Subrecipients	83.544	\$62,500	See finding 98-MA-36.
FY 00				(34,747)	
Total Questioned Costs				<u>\$27,753</u>	

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 98	98-PERS-9	The Personnel Cabinet Should Implement Adequate Logical Access Security For The Unified Personnel And Payroll System	N/A	0	Exceptions were again noted during the Application Access System testing for FY 00. Procedures for CICS access were not consistently followed. Testing indicated update access to Personnel libraries, production data, and security files were not restricted to Personnel staff only.
FY 99	99-TC-38	The Division Of Right Of Way Should File All Real Property Deeds In The Project Parcel Files Timely	20.205	0	Corrective action plan was not implemented until after FY 00.
FY 99	99-CWD-28	The Division Of Unemployment Insurance Should Perform Regular Cash Reconciliations To Safeguard Assets	N/A	0	Finding not resolved. See Finding 00-CWD-8.
FY 99	99-CWD-29	The Division Of Unemployment Insurance Should Strengthen Controls Over Cash	N/A	0	Finding not resolved. See Finding 00-CWD-9.
FY 99	99-CWD-40	The Department Of Employment Services Should Implement Controls To Ensure All Applicable Regulations And Program Policies Are Followed In Their Administration Of Federal Programs	17.246	\$613,950	DES requested and received clarification from DOL. As a result, they cleared a portion of the finding related to possible violation of cost limitations. Questioned costs remained.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 99	99-CWD-41	The Division Of Unemployment Insurance Should Ensure Supporting Documentation Used In Preparation Of Federal Reports Is Accurate	17.225	0	Improvements have been made in FY 00 regarding ETA 581. However, the process of making adjustments before the payments are audited has not stopped completely. The findings related to ETA 191 and 2112 will be reported as a reportable condition since the agency's response was materially misrepresented. See finding 00-CWD- 24.
FY 96	N/A	The Department For Medicaid Services Should Improve Internal Controls Relating To The Alternative Intermediate Care/Mental Retardation Waiver	N/A	\$120,760	The agency has implemented our corrective action plan. The questioned cost has not been resolved.
<i>(3) Corrective action taken is significantly different from corrective action previously reported:</i>					
FY 97	97-CHS-47	The Finance And Administration Cabinet And The Cabinet For Health Services Should Develop Procedures To Ensure Vendors Providing Services To Federal Programs Are Not Debarred Or Suspended By The Federal Government	N/A	0	The agency did not implement their corrective action plan. MARS did not have the capacity to identify suspended/debarred vendors. See finding 00-CHS-22.
<i>(4) Audit finding is no longer valid or does not warrant further action:</i>					
FY 98	98-C&I-2	Department Of Treasury And Finance And Administration Cabinet Should Enhance Reconciliation Procedures	N/A	0	FAC and Treasury no longer maintain separate investment portfolios. This finding is no longer valid.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(4) Audit finding is no longer valid or does not warrant further action (Continued):</i>					
FY 99	99-CFC-34	The Cabinet For Families And Children's Division of Child Care Should Implement Improved Application System Controls For KCCMS	93.596	\$53,669	Application system control weaknesses have been corrected by MARS implementation. CFC obtaining adequate documentation resolved the questioned costs.
FY 98	98-CFC-17	The Cabinet For Families And Children Should Submit Federal Reports In A Timely Manner	10.561	0	This finding is no longer valid due to the new Electronic Benefits Transfer system.
FY 98	98-CFC-29	The Cabinet For Families And Children Should Implement Adequate Procedures To Ensure The Accuracy And Completeness Of KCCMS Generated Interface Files And Check Tape	93.596	0	The unresolved issues of this finding were made part of 99-CFC-34.
FY 98	98-CFC-32	The Division Of Child Care Should Complete The Development Of A Formal Disaster Recovery Plan	N/A	0	Due to improvements, this finding was downgraded to an other matter finding in FY 99. The finding is also an other matter finding for FY 00. This finding is no longer required to be reported under <i>Government Auditing Standards</i> and OMB Circular A-133.
FY 97	97-CFC-33	Discovery And Collection Of Overpayments Of TANF Funds Should Be Identified And Pursued Promptly To Maximize Recovery	93.558	\$23,175	The unresolved issues of this finding were made part of 98-CFC-21.
FY 97	97-CFC-34	The Department For Social Insurance Should Implement Procedures To Ensure Adequate Documentation Exists For Transportation Payments To Participants	93.558	\$1,290	The unresolved issues of this finding were made part of 98-CFC-26.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(4) Audit finding is no longer valid or does not warrant further action (Continued):</i>					
FY 97	97-CFC-35	The Department For Social Insurance Should Implement Procedures To Ensure Adequate Supporting Documentation Is Maintained	93.558	\$777	The unresolved issues of this finding were made part of 98-CFC-27.
FY 98	98-FAC-5	The Division of Purchases Did Not Adequately Control Access to KAPS	N/A	0	KAPS was defunct as of June 30, 1999. The state's purchasing system was replaced by PD for FY 00. Comment dropped for FY 00.
FY 98	98-FAC-6	The Division Of Purchases Should Implement Automatic Log-Off Security For KAPS	N/A	0	KAPS was defunct as of June 30, 1999. The states purchasing system was replaced by PD for the FY 00. Comment dropped for FY 00.
FY 98	98-FAC-7	The Division Of Purchases Should Improve Logical Access Security For KAPS	N/A	0	KAPS was defunct as of June 30, 1999. The states purchasing system was replaced by PD for the FY 00. Comment dropped for FY 00.
FY 97	97-FAC-4	The Finance and Administration Cabinet's Division of Accounts Should Consistently Follow Procedures To Ensure Accurate Program Modifications	N/A	0	This was a STARS issue and is non-applicable for FY 00 MARS programs. Comment dropped for FY 00
FY 96	97-FAC-6	The Finance And Administration Cabinet Should Provide Adequate Access Security For The Statewide Accounting And Reporting System	N/A	0	This was a STARS issue and is non-applicable for FY 00 MARS programs. Comment dropped for FY 00.
FY 99	99-CHS-25	The Department Of Medicaid Services Should Improve Control Procedures Over The Medical Assistance Program	N/A	0	Due to improvements, this finding was downgraded to an other matter finding for FY 00. This finding is no longer required to be reported under <i>Government Auditing Standards</i> .

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Reportable Conditions (Continued)</u>					
<i>(4) Audit finding is no longer valid or does not warrant further action (Continued):</i>					
FY 97	97-CHS-44	The Department For Medicaid Services Should Improve The Controls Over Drug Rebate Billings, Collections, And Recording	N/A	0	The unresolved issues of this finding were made a part of 99-CHS-36.
FY 97	97-CHS-48	The Division Of Substance Abuse Should Adhere To Established Internal Control Procedures	N/A	0	The agency has changed from a manual system to an electronic progress reporting system. Problems were found in the electronic system, however. See finding 00-CHS-19.
FY 94	97-Personnel-8	Logical Access Control Over The Unified Personnel And Payroll System Should Be Strengthened	N/A	0	The unresolved issues of this finding were made a part of 98-PERS-9.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses/Noncompliances</u>					
<i>(1) Audit findings that have been fully corrected:</i>					
FY 99	99-CFC-42	The Cabinet For Families And Children Should Monitor Subrecipients Of TANF Funds In Accordance With OMB Circular A-133	93.558	0	Resolved during FY 00.
FY 98	98-CFC-40	The Cabinet For Families And Children Should Adhere To Established System Development Life Cycle Controls For Development And Implementation Of New Systems	93.575 and 93.576	\$3,023,137 (3,023,137)	CFC has recouped overpayments; no further action taken.
FY 00					
Total Questioned Costs				<u>\$0</u>	
FY 98	98-CHS/CDP-11	Custom Data Processing, Inc., Should Update All Systems To Be Year 2000 Compliant	N/A	0	Due to improvements, this finding was downgraded to an other matter finding in FY 99. The finding is considered resolved for FY 00.
FY 98	98-CHS-42	The Department Of Public Health Should Strengthen Controls Over The Vaccine Inventory System	N/A	0	Resolved during FY 00.
FY 98	98-DIS-12	The Department Of Information Systems Should Continue Efforts With The Agencies To Ensure All Vendor And DIS Provided Applications And Systems Are Compliant With The Year 2000	N/A	0	Due to improvements, this finding was downgraded to an other matter finding in FY 99. The finding is considered resolved for FY 00.
FY 95	97-REV-24	The Revenue Cabinet Should Utilize The Automatic Log-Off Feature For Information Management Systems And Customer Information Control System Applications	N/A	0	The policy for password-protected screensavers was issued and employees were trained on the need for this precaution. This finding was dropped for FY 00.
FY 99	99-CWD-45	The Department For Adult Education And Literacy Should Ensure Applicable Subrecipient Audits Are Performed And Prompt Action Is Taken On Audit Findings	84.002	0	Resolved during FY 00.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses/Noncompliances (Continued)</u>					
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY 99	99-CWD-30	The Division Of Unemployment Insurance Should Ensure Computer Accounting Systems Are Operating Effectively And Amounts Reported From Those Systems Can Be Supported	N/A	0	This finding was not resolved during FY 00. The agency's corrective action plan was materially misrepresented. See 00-CWD-11.
FY 99	99-CWD-44	The Office Of Training And ReEmployment Should Comply With Job Training Partnership Act Regulations And OMB Circular A-133 Regarding Resolution Of Subrecipient Audit Findings	17.246 and 17.250	0	This finding has been noted again, however, we believe the finding is a reportable condition for FY 00. We also believe the auditee's corrective action plan was materially misrepresented. See 00-CWD-23.
FY 99	99-CWD-46	The Kentucky Office Of School To Work Should Comply With School To Work And OMB Circular A-133 Subrecipient Monitoring Requirements	84.278	0	This finding has been partially resolved in FY 00. We found the agency's contracts with LLMA's were not accurate. We consider this a reportable condition for FY 00.
<i>(3) Corrective action taken is significantly different from corrective action previously reported:</i>					
No findings for this section.					
<i>(4) Audit finding is no longer valid or does not warrant further action:</i>					
FY 99	99-CFC-43	The Cabinet For Families And Children Should Establish Specific Written Policies And Procedures To Ensure That Proper Documentation From Subrecipients Is Submitted To The Agency	93.575 and 93.576	\$13,014	This finding does not warrant further action; the mini-grant program was discontinued during FY 00 and questioned costs are not expected to be resolved.
FY 98	98-CFC-39	The Cabinet For Families And Children Should Monitor Payment Requests Submitted By Subrecipients To Ensure That Grant Monies Are Spent In Accordance With Contract Provisions	93.575 and 93.576	\$5,240,535	The mini-grant program was discontinued during FY 00 and questioned costs are not expected to be resolved. See finding 99-CFC-43.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses/Noncompliances (Continued)</u>					
<i>(4) Audit finding is no longer valid or does not warrant further action (Continued):</i>					
FY 97	97-CFC-31	Sufficient Supporting Documentation Should Be Maintained For Child Care Development Expenditures	93.575	\$49,214	The mini-grant program was discontinued during FY 00 and questioned costs are not expected to be resolved. See findings 99-CFC-43 and 98-CFC-39.
FY 98	98-FAC-13	The Division Of Purchases Microcomputers Are Not Fully Year 2000 Compliant	N/A	0	KAPS was defunct as of June 30, 1999. The states purchasing system was replaced by PD for the FY 00. Comment dropped for FY 00.
FY 98	98-FAC-14	The Finance And Administration Cabinet Should Continue To Take The Necessary Measures To Ensure The STARS System Is Replaced Or Is Made Year 2000 Ready	N/A	0	The STARS system was replaced in July 1999 by the MARS system. In addition, the STARS system was made Year 2000 compliant with the exception of the Reporting module. This module was replaced by a Management Report Writing Database. Comment dropped for FY 00.
FY 97	97-CHS-55	The Department For Medicaid Services Should Establish Procedures To Ensure That Pharmacy Provider Information Is Accurate And Current In The Medicaid Management Information System	N/A	0	Due to improvements, this finding was downgraded to an other matter finding in FY 99. This finding is no longer required to be reported under <i>Government Auditing Standards</i> and OMB Circular A-133.

**COMMONWEALTH OF KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses/Noncompliances (Continued)</u>					
<i>(4) Audit finding is no longer valid or does not warrant further action (Continued):</i>					
FY 97	97-KY KARE-21	Controls Over Receipts Should Be Strengthened At Kentucky Kare	N/A	0	As of April 30, 1999, Ky Kare had no active contracts. On May 22, 2000, Executive Order 2000-602 abolished the Ky Kare Health Insurance Authority. All responsibilities, staff, and files were transferred to the Office of Management and Budget. Remaining funds were placed in a trust account used to offset any remaining claims, operating, or legal costs.
FY 96	97-REV-25	The Revenue Cabinet Computer System Must Be Modified In Order To Process Year 2000 Data	N/A	0	The agency has completed compliance conversion and testing. The comment was downgraded to a verbal comment in 1999.
FY 93	N/A	The Cabinet For Workforce Development Had Questioned Costs Of \$372,383 For Fiscal Years Ended June 30, 1993	Multiple Programs	\$372,383	DES resolved an additional \$198,641 during FY 00. This left a balance of \$60,739. We have deemed this finding is no longer valid due to the following: <ul style="list-style-type: none">When this finding was originally reported CWD was part of a larger cabinet. Some of the unresolved costs could be attributed to other cabinets.DES has not had any more questioned costs related to this issue. WIA has replaced JTPA in FY 00. DES is not a subrecipient of any WIA Funds.
FY 97				(73,749)	
FY 98				(39,254)	
FY 00				(198,641)	
Total Questioned Costs				\$60,739	

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APPENDICES

**COMMONWEALTH OF KENTUCKY
APPENDIX 1
FOR THE YEAR ENDED JUNE 30, 2000**

List Of Agencies Audited As Part Of The Statewide Single Audit Of The Commonwealth

The list includes agencies receiving only financial statement audits used for preparing the Commonwealth's Comprehensive Annual Financial Report (CAFR). CPA reports are available upon request to the respective audited agency.

AGENCIES AUDITED BY CERTIFIED PUBLIC ACCOUNTING FIRMS AND INCLUDED IN SSWAK:

Bluegrass State Skills Corporation
Kentucky Center for the Arts Corporation
Kentucky Economic Development Finance Authority
Commonwealth Small Business Development Corporation
Eastern Kentucky Exposition Center Corporation
Kentucky Educational Savings Plan Trust
Kentucky Educational Television Authority and Kentucky Educational Television Foundation
Governor's Office for Technology
Kentucky Higher Education Assistance Authority
Kentucky Higher Education Student Loan Corporation
Kentucky Horse Park
Kentucky Housing Corporation
Kentucky Infrastructure Authority
Judicial Form Retirement System
Kentucky Local Correctional Facilities Construction Authority
Kentucky Lottery Corporation
Office of the Petroleum Storage Tank Environmental Assurance Fund
Kentucky Public Employees' Deferred Compensation Authority
Kentucky Retirement Systems
Kentucky River Authority
Kentucky State Fair Board
Kentucky Teachers' Retirement Systems
Transportation Cabinet (Financial Statements Only)
Turnpike Authority of Kentucky
Kentucky Worker's Compensation Funding Commission
Kentucky Worker's Compensation Special Fund, Coal Workers' Pneumoconiosis Fund (functions of the Labor Cabinet), and Uninsured Employers' Fund (function of the Office of the Attorney General)

**COMMONWEALTH OF KENTUCKY
APPENDIX 1
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

List Of Agencies Audited As Part Of The Statewide Single Audit Of The Commonwealth
(Continued)

**AGENCIES AUDITED BY CERTIFIED PUBLIC ACCOUNTING FIRMS AND
NOT INCLUDED IN SSWAK, EXCEPT FOR EXPENDITURE AMOUNTS IN
THE OPINION LETTER:**

Eastern Kentucky University
Kentucky Community Technical College System
Kentucky State University
Morehead State University
Murray State University
Northern Kentucky University
University of Kentucky
University of Louisville
Western Kentucky University

AGENCIES AUDITED BY THE AUDITOR OF PUBLIC ACCOUNTS OFFICE:

Cabinet for Families and Children
Cabinet for Health Services
Department of Education
Department for Local Government
Finance and Administration Cabinet
Natural Resources and Environmental Protection Cabinet
Personnel Cabinet – Risk Management Funds
Revenue Cabinet
Transportation Cabinet (Federal Awards Only)
Office of the Kentucky State Treasurer - Cash Functions
Cabinet for Workforce Development

OTHER REPORTS RELIED ON BY APA AUDITORS:

Custom Data Processing, Inc.
eFunds Corporation (Formerly Deluxe Electronic Payment Systems, eFunds Corporation
handles the electronic benefit transfers for the food stamp program (CFDA #10.550)
administered by CFC.)

**COMMONWEALTH OF KENTUCKY
APPENDIX 2
FOR THE YEAR ENDED JUNE 30, 2000**

List Of State Agency Contacts

The following is a list of individuals by state agencies to contact regarding findings in the Schedule of Findings and Questioned Costs or the Summary Schedule of Prior Audit Findings.

Agency	Contact
Cabinet for Families and Children (CFC)	Kelli Hill, Manager Division of Financial Management Cabinet for Families and Children 275 E Main St 4C-C Frankfort KY 40601 Phone – (502) 564-2250 ext. 4336
Finance and Administration Cabinet (FAC) (C&I)	Phil Nally, Branch Manager Division of Statewide Accounting Services Finance and Administration Cabinet Capitol Annex, Room 484 702 Capitol Avenue Frankfort, KY 40601 Phone - (502) 564-7750, ext. 2151 Gordon Mullis, Executive Director Office of Financial Management Finance and Administration Cabinet Capitol Annex, Room 261 702 Capitol Avenue Frankfort, KY 40601 Phone – (502) 564-2924 Jackie Green, Branch Manager Fixed Asset Branch Office of the Secretary Finance and Administration Cabinet Capitol Annex, Room 470 702 Capitol Avenue Frankfort, KY 40601 Phone – (502) 564-8785

**COMMONWEALTH OF KENTUCKY
APPENDIX 2
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

List Of State Agency Contacts (Continued)

Agency	Contact
Finance and Administration Cabinet (FAC) (C&I) (Continued)	Scott Boling, Director Administrative Branch Division of Contracting and Administration Finance and Administration Cabinet 702 Capitol Avenue, Room 158 Frankfort, KY 40601 Phone – (502) 564-3050
Governor’s Office for Technology (GOT) (DIS)	Mike Robinson, Executive Director Office of Administrative Services Governor’s Office for Technology 1025 Capital Center Drive Suite 101 Frankfort, KY 40601 Phone – (502) 573-6806 ext. 403
Cabinet for Health Services (CHS)	Miles Murphy, Staff Assistant Office of Program Support Cabinet for Health Services 275 E Main St Frankfort KY 40601 Phone – (502) 564-8890
Department of Military Affairs (MA)	Cash Centers, Manager Operations and Recovery Branch Division of Emergency Management Department of Military Affairs 100 Minuteman Parkway, Building 100 Frankfort, KY 40601 Phone – (502) 607-1348
Revenue Cabinet (REV)	Annie Hill-Pointer, Internal Auditor Office of the Secretary Kentucky Revenue Cabinet 200 Fair Oaks Lane Frankfort, KY 40601 Phone – (502) 564-1553

**COMMONWEALTH OF KENTUCKY
APPENDIX 2
FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)**

List Of State Agency Contacts (Continued)

Agency	Contact
Kentucky State Fair Board (KSFB)	Ron Duvall, Director Administrative Services Kentucky State Fair Board PO Box 37130 Louisville, KY 40233 Phone – (502) 367-5252
Office of the Kentucky State Treasurer (KST) (C&I)	Dr. Eugene Harrell, Director Disbursements Office of the Kentucky State Treasurer Capital Annex, Room 183 702 Capitol Avenue Frankfort, KY 40601 Phone – (502) 564-4722
Personnel Cabinet (Personnel) (PERS)	Herb Sheeting, Commissioner Department of Personnel Administration Personnel Cabinet 200 Fair Oaks Lane Frankfort, KY 40601 Phone (502) 564-2428
Transportation Cabinet (TC)	Taylor Manley, Commissioner Department of Fiscal Management Transportation Cabinet State Office Building, 10th floor Frankfort, KY 40601 Phone - (502) 564-4786
Cabinet of Workforce Development (CWD) (WFDC)	Tommy Goins, Branch Manager Division of Fiscal Services Cabinet of Workforce Development 500 Mero St. 9th Floor Frankfort, KY 40601 Phone - (502) 564-3200

Note: Since Ky Kare was abolished and the finding no longer valid, no contact person was listed.

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